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Pensions&Investments

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AT DEADLINE

IRS to overhaul plan rules

The IRS unveiled an overhaul of its non-discrimination rules that is expected to affect the design of virtually every pension plan. It would require plans to not discriminate against lower-paid employees, revise earlier minimum participation standards and provide a definition of compensation.

FASB looks at book value

The Financial Accounting Standards Board has added book-value accounting for guaranteed investments to its agenda. An exposure draft is expected in the fourth quarter.

Foreign placement revealed

In what might be the first foreign private placement in the United States under the SEC's Rule 144A, Goldman, Sachs & Co. has placed $100 million of 10-year unsecured notes for British Aerospace PLC.

UN becomes own custodian

The $8.6 billion United Nations Joint Staff Pension Fund has decided to become its own global custodian. Fund officials will set up a formal network of custody agents and advisers coordinated by custodian Fiduciary Trust International, said Henry Ouma, deputy chief. Local brokers will set up small-cap accounts — totaling $100 million — in the United States, Southeast Asia, Japan and Europe, he said.

Energy firm goes overseas

In its first overseas pursuit, the $180 million pension fund of Commonwealth Energy System hired PCM International to manage $15 million in global bonds, said James Rappoli, assistant treasurer. David L. Babson & Co.'s equity account was reduced to finance the move. New England Pension Consultants, Boston, assisted.

2 form nuclear trust venture

John Nuveen and Duff & Phelps have formed a joint venture — Nuveen•Duff & Phelps Investment Advisors — offering money management to nuclear decommissioning trust funds.

GTE lifts Japanese stocks

The $12.4 billion GTE Corp. pension fund is boosting its Japanese equity holdings slightly. An active Japanese equity manager will be hired, and an account with Nikko Capital Management (U.S.A) increased.

Personnel changes

Lance Tane, a prominent consultant on flexible benefit plans, is leaving The Wyatt Co., New York, to become a partner at Kwasha Lipton, Fort Lee, N.J., as of July 1. . . . Ralph S. Tate, formerly vice president of Aetna Equity Investors, has joined Standish, Ayer & Woods, Boston, to oversee equity investments as vice president and director.

SEC rules spawn manager chaos

Performance ads must be net of fees

By Joel Chernoff

WASHINGTON — SEC directives to money managers to deduct their fees from investment performance in advertising materials are about to hit full force.

Starting May 27, registered investment advisers must deduct actual fees from investment returns when advertising performance figures — whether in a published ad, brochure or any other material meant to be read by more than one person.

But that's only half of the story. In late 1989, the Securities and Exchange Commission put money managers on notice that they must deduct, at minimum, "model" fees for historical returns in any advertising materials, going back as far as advisers show returns. But few managers appear to be doing so.

Investment experts argue deducting fees from money managers' composite returns for separate accounts will distort investment results, create an administrative nightmare for consultants' data bases and conflict with recent industry association standards.

Worse yet, it appears the SEC's stance will make life more complicated for sophisticated investors — part of the constituency it is trying to protect.

"All of this SEC mumbo jumbo is not going to help institutional clients," said Robert Shultz, formerly head of RJR Nabisco Inc.'s pension fund.

The SEC interpretation "has the effect of bundling things together when we want to unbundle for purposes of clarity," said Charles Stephens, president of the National Investment Sponsor Federation and director of investments for the UMWA Health & Retirement Funds, Washington.

"It's going to create a lot of work for people and it's not clear if it's going to provide a benefit," said Steven Grant, director of manager evaluations for Colonial Consulting Corp., New York.

Interviews with money managers, consultants and pension executives reveal many are not aware of the SEC positions. Those who are familiar with them disagree as to their impact. The SEC also has not addressed many of the issues that arise by deduction of fees.

The picture that emerges is one of massive confusion and widespread non-compliance.

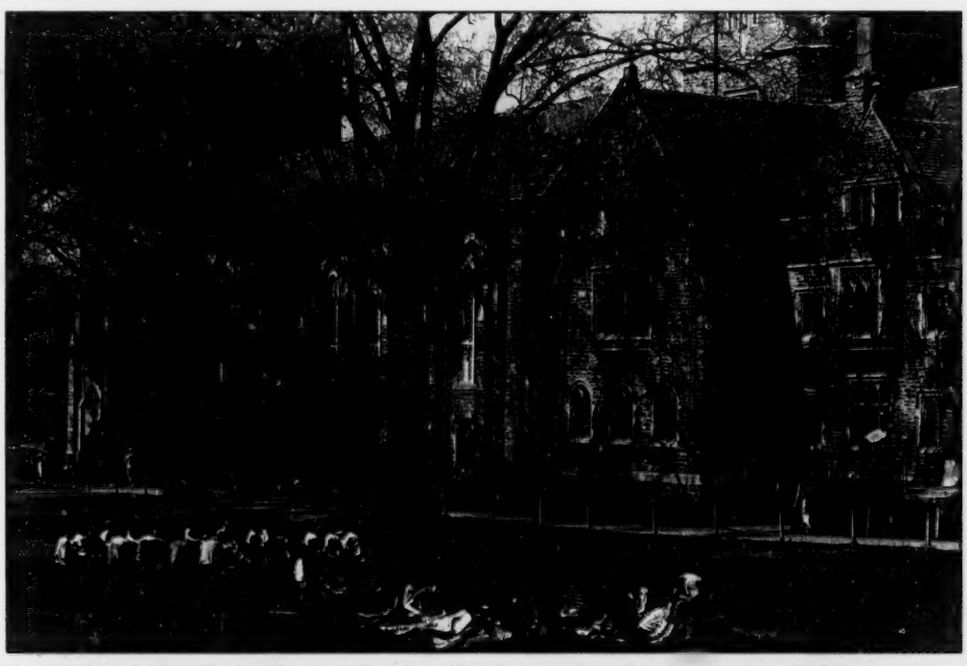
"As much as I thought we were up on this stuff at NWQ, (these rules have) escaped me," said James Owen, managing director of NWQ Investment Management Co., Los Angeles.

The SEC's stance stems from a 1986 letter to Clover Capital Management Inc. Taking a page from its rules for mutual funds, the letter said advertised model or actual performance results must net out advisory and other fees. The agency was concerned that not deducting fees gave a false impression of a manager's performance — particularly when that fee is compounded over a period of time.

"Our view is that when an adviser advertises performance, he does so to say something about his competence or experience with his clients," explained Mary Podesta, associate director of the SEC's division of investment management. What clients had to pay out in fees is "material information," she said.

Under severe industry pressure,

See **Performance** *on page 45*



Duke University is following the top U.S. universities by spinning off its investment subsidiary.

Duke will spin off subsidiary

By Joel Chernoff

DURHAM, N.C. — Following in the footsteps of Harvard and Princeton, Duke University is spinning off its investment management operation into a separate subsidiary.

The new unit, tentatively called Duke University Management Co., will start July 1 and will oversee the investment of more than $1 billion in university assets, including $560 million in endowment fund assets and nearly $150 million in pension assets.

The unit also will pursue technology transfers, acting as a "midwife" to help develop ideas created by Duke professors into commercial ventures, explained Eugene J. McDonald, Duke's executive vice president of finance and administration who will serve as president and chief executive of the new entity.

The spinoff had its genesis 18 months ago but was not approved by Duke's board of trustees until April. By setting up the separate investment unit, financial personnel will be able to free themselves of many administrative responsibilities, such as accounting for gifts to the university, Mr. McDonald said.

In addition, the separate incorporation will enable the unit to improve compensation to help hire and retain talented professionals. Incentive compensation arrangements are under consideration, he acknowledged.

Harvard University, Cambridge, Mass., pioneered the con-

See **Duke** *on page 45*

Protected notes gain acceptance

By Margaret Price

At least eight U.S. pension funds, including those of Hughes Aircraft Co. and Pacific Telesis Group, are participating in a relatively new foreign investing method that insures against being hurt by market losses while capitalizing on gains.

The technique, most commonly known in the United States as protected equity notes, is used as a passive strategy that can substitute for indexed funds. Though it can be used domestically, its most popular application has been in foreign investing, especially in Japan.

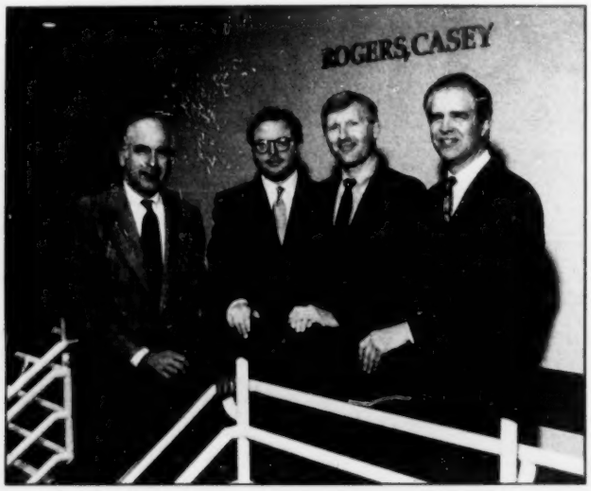
In a protected equity note, an investor, such as a pension fund, lends money to an institution that promises to pay — upon maturity of the loan — the full principal as well as at least 100% of a certain market or markets' appreciation over the length of the loan. A coupon that represents part of the market's dividend yield often is included. The institution, in turn, lends the money at market rates, sometimes hedging all or part of its position.

Because no stocks are bought, the process imposes no management, custody or trading costs on investors.

Dean D'Onofrio, vice president-global equity at Bankers Trust Co., said his firm is, in effect, replicating an "at the money" call option on the market the investor specifies, and using the money from the investor to make loans

See **Protected notes** *on page 42*

NEWS DIGEST



Paul Berg, far right, joins Stephen Rogers, from left, John Casey and James Beasley as a principal of Rogers, Casey.

The Berg-Rogers, Casey merger creates an entity with broader resources to meet clients' growing needs. Page 4.

The PBGC list of the 50 companies with the largest unfunded pension liabilities causes a stir. Page 43.

SPECIAL REPORT: FINANCIAL SALARIES

Former Walt Disney CFO Gary Wilson was the highest paid chief financial officer in 1989 at $2.5 million, according to *Pensions & Investments*' survey of more than 1,000 public companies. Page 35.

FINANCING

Ralston Purina's stock buybacks and other financial strategies allow the company to keep improving its earnings per share. Page 3.

ROSAs, a new asset-backed security, are being pitched to U.S. institutional investors. Page 37.

INTERNATIONAL

Hughes Aircraft and PacTel are among the U.S. pension funds using protected equity notes as part of their overseas investment program. Page 1.

The Leicestershire City Council pension fund is giving allocation decisions to its balanced manager. Page 6.

REAL ESTATE

National Property Advisors employees took advantage of a voluntary separation offer to make a fresh start with another firm. Page 2.

Travelers Cos.' handling of withdrawal requests has angered investors in one of its realty funds. Page 2.

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Submission deadline passed

The deadline has passed for submitting completed questionnaires for *Pensions & Investments*' annual directory of international and global investment advisers, to be published June 25. If you have accounts invested overseas and would like to be placed on the mailing list for next year's survey, contact Christine Philip at (312) 649-5217.

Mass exodus at realty firm

NPA employees take money, seek new start

By Terry Williams

National Property Advisors is disbanding, the unintentional result of its parent company offering voluntary separation benefits to all employees.

But NPA employees plan to affiliate with another money manager and make a bid to continue managing a portion of the $300 million worth of industrial properties under management.

Pensions & Investments has learned employees of Atlanta-based NPA have been in contact with John Hancock Financial Services, Boston, to discuss a possible affiliation. "It is premature to say anything further," a Hancock spokesman said.

All but two of the 27 employees of NPA accepted the separation offer from National Life Insurance Co., Montpelier, Vt.

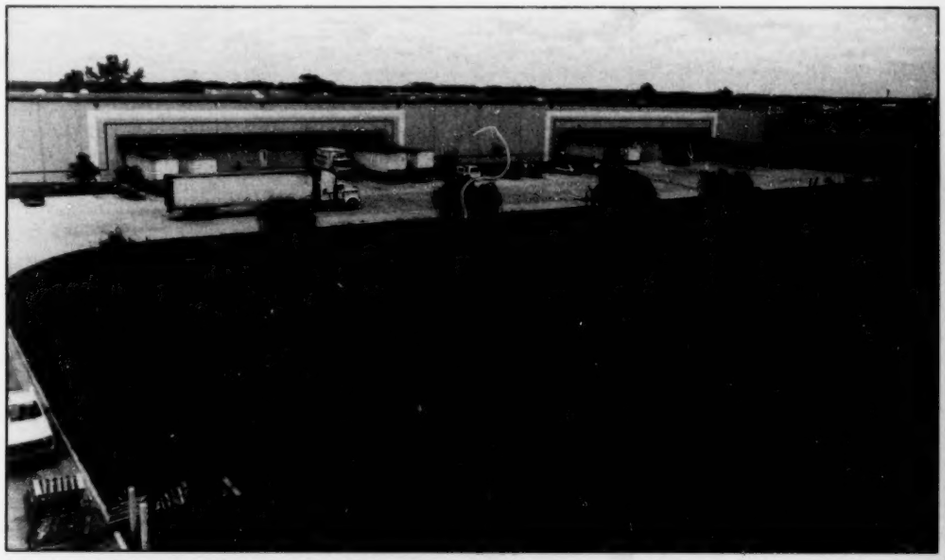
The offer followed a decision to downsize the insurer in an effort to cut expenses. Even though National Life executives did not believe NPA should be eliminated, they made the offer to all employees on the advice of attorneys, said Keniston P. Merrill, senior vice president and chief investment officer of National Life.

"Our thought was that they were a bunch of happy campers," Mr. Merrill said of the NPA staff. "We did anticipate some of the clerical people leaving. We did not think any significant number of professionals would take it. That's a chance you take."

Although terms of the separation plan weren't disclosed, Mr. Merrill said NPA staffers viewed the package as a "windfall."

Given the strong employment market in Atlanta, the employees

See **NPA** *on page 46*



Lakeland (Fla.) Distribution Center is among the properties managed by National Property Advisors, which is disbanding because most of its employees are leaving.

Change irks investors

Travelers alters fund liquidation method

By Fred Williams

DALLAS — The Dallas Police and Fire Pension Fund is threatening a lawsuit against The Travelers Cos., Hartford, Conn., to recover its $6 million investment in a Travelers Insurance Co. real estate fund now being liquidated.

An attorney for the Dallas fund questions whether the fund has enough assets to meet all withdrawal requests and whether Travelers' own pension fund — reportedly a participant in the commingled fund — would unfairly benefit from a change in the way Travelers plans to honor the requests.

The dispute keys on "unilateral changes" in the method used by Travelers to honor redemption requests from Separate Account R, an open-end commingled real estate fund, according to a Dallas attorney who represents the Dallas fund.

Several other pension funds — including the Maine State Retirement System, the Grand Rapids (Mich.) Police and Fire Pension Plan, and the Northeast Utilities Service Co. fund — also have expressed objections to the changes, said Gary B. Lawson, attorney with the Dallas law firm of Goodwin, Carlton & Maxwell.

Some investors, including the Dallas and Maine funds, have been waiting to recover their investments since 1986.

Mr. Lawson said Travelers has been uncooperative in providing information to investors, and changed the redemption process to a pro-rata one from a priority, or first-come-first-served basis as specified in the investment documents.

Both Mr. Lawson and Claude Perrier, executive director of the Maine State system, said a pro-rata payout eventually might be the most equitable method of liquidating the fund, but that a solution should involve investors as well as Travelers.

Mr. Lawson said some Separate Account R participants "believe a serious conflict of interests" might exist because Travelers' pension fund is believed to be a participant "and would benefit from the pro-rata approach over the existing first-come-first-served method."

In response, Travelers officials denied any impropriety involving Separate Account R, and said Mr. Lawson's allegations "are completely unfounded."

"Travelers understands its fiduciary responsibility to the investors in Separate Account R. We believe our actions regarding this account, which have been en-

See **Liquidation** *on page 46*

GM, Ford get lift from pension shift

By Barry B. Burr

General Motors Corp. and Ford Motor Co. both boosted their first-quarter earnings by changing pension assumptions.

GM increased its first-quarter earnings by about 10%, or $75 million, to $710 million, by increasing its investment return assumption and reducing its mortality assumption.

Ford increased its earnings of $806.5 million by $58 million, or about 8%, by raising its investment return assumption to 9% from 8%.

In addition, GM didn't make a contribution to its defined benefit pension plans in 1990, saving the company about $1 billion, based on the assumptions in recent years.

GM increased the investment return assumption of its pension fund to 10% from 9% and lowered the mortality assumption to predict how many employees will die each year earlier than calculated for the pension plan. GM executives declined to give the age of life expectancy used for its assumptions.

See Earnings on page 44

Ralston Purina launches 18th stock buyback

By Marlene Givant Star

ST. LOUIS — Ralston Purina Co. is implementing its 18th stock buyback in eight years, enabling the company to amass more of its outstanding shares than any other food producer.

The company also makes strategic use of abundant spare cash by boosting its stock through reducing the number of outstanding shares — a strategy some analysts support given what they say are limited investment opportunities.

Ralston Purina, which produces Purina pet foods and such household names as Eveready batteries and Wonder Bread, was one of the first to buy back its shares in the early 1980s and has amassed more than 50% of its shares outstanding, according to a report by Donaldson, Lufkin & Jenrette Securities Corp., New York.

Several institutional investors and analysts praised the company's strategy of giving something back to shareholders. They note three of the company's core businesses — pet food, batteries and baking — are growing very slowly and don't merit significant capital investment. Ralston Purina earned $422.5 million on net sales of $6.65 billion last year.

"Generically we like companies that buy back shares at a price less than the private market value," said Douglas R. Jamieson, executive vice president of GAMCO Investors Inc., New York. GAMCO began accumulating Ralston Purina in the fourth quarter of 1989, with a purchase of 79,000 shares.

Ralston Purina, maker of foods for people and pets, has earned high marks with its stock buybacks.

Because the company is viewed as having limited business opportunities, it's more aggressive about its financial ones. Increasing its stock price by reducing its shares outstanding is better than a strategy of growth through costly acquisitions that might not make sense, analysts said.

"Although Ralston's operating trends are dull as dishwater, the company continues to increase earnings per share by shrinking the number of shares outstanding. Ralston is currently generating about 5% of its market value in free cash flow after dividends and capital spending. Consequently, even though the company is fairly highly leveraged, it can keep repurchasing stock," the DLJ report said.

"Purina has a weird view of growth . . . They basically grow by shrinking their shares outstanding, sort of a novel approach," said William Leach, DLJ vice president and author of the April 30 report. He said the stock is "undervalued" and "very attractive."

Other financial strategies include the recent formation of an employee stock ownership plan to alleviate post-retirement health liabilities and the decision to pump cash into dividends. In the past 10 years, its dividend growth rate has increased 10% to 11% on a compound annualized basis, according to Lawrence Adelman, senior vice president of Dean Witter Reynolds Inc., New York.

"The market has expected a major acquisition," but there's been none so far, said Timothy Ramey, vice president and food industry analyst at County NatWest USA, New York.

In February 1989, Ralston expressed interest in the food businesses offered for sale by RJR Nabisco Inc. Although William P. Stiritz, chairman and chief executive officer, told analysts Ralston increasingly would turn to acquisitions for growth, the company didn't purchase the RJR properties.

Indeed, its acquisition strategy has been very selective as prices of targets have skyrocketed in the past three years. Most recently, Ralston Purina purchased Cofinea, a French holding company that owns two leading dry cell battery brands in France; bought the remaining interest it did not already own in Eveready Australia/New Zealand and the Beech-Nut baby food business from Nestle Enterprises Inc., the No. 2 brand in the United States.

The company is quiet about the financing strategies devised be-

See **Stock buyback** *on page 46*

PIPER winners find warmth in cold markets

Cash takes top international prize

By Margaret Price

As many key markets wallowed, cash was king in Pensions & Investments' Performance Evaluation Reports for the first quarter of 1990.

With a 3.58% return, the commingled global yield (or cash) fund of PCM International, Newark, N.J., bested all competitors in the PIPER universe of bank and insurance company commingled funds.

The first quarter was the second consecutive quarter in which cash outperformed equities and fixed-income in the global markets, according to Salomon Brothers Inc., New York. Before that, cash hadn't outperformed the other two classes since the third quarter of 1986.

Among the PIPER+ universe of separately managed accounts, the international equity fund of CIGNA International Investment Advisors Ltd., London, won laurels among international funds for the quarter with a 1.13% gain, and the global fund of Scudder, Stevens & Clark, New York, topped all global funds with −0.36%.

PIPER+ international funds
(periods ended March 31)

	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	1.13%	34.27%	27.56%	63.53%	29.54%
First quartile	−3.18	17.63	13.79	30.86	22.58
Median	−7.30	11.81	10.62	28.30	19.87
Third quartile	−9.78	3.23	5.85	26.41	18.69
Lowest return	−22.95	−15.47	0.44	15.75	14.16
FTA Euro/Pac	−19.88	−11.06	5.44	28.26	ns
MSCI EAFE	−19.72	−11.35	5.03	28.27	20.94

PIPER+ global funds
(periods ended March 31)

	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	−0.36%	24.80%	17.74%	34.24%	25.37%
First quartile	−2.28	19.00	10.27	24.82	24.32
Median	−4.57	12.75	8.50	21.78	18.80
Third quartile	−6.21	9.26	5.54	20.43	17.72
Lowest return	−13.10	−3.13	2.09	17.11	17.54
FTA World	−14.26	−1.55	6.16	22.06	ns
MSCI World	−14.22	−1.76	5.86	21.87	18.71

In comparison, during the first quarter, the Morgan Stanley Capital International Europe Australia Far East Index fell 19.72%, while the MSCI World Index dropped 14.22% and the FT-A World Index fell −19.66%. The median PIPER+ international fund returned −7.3% and the global fund, −4.57%. There is no median for the PIPER universe because of the diversity among funds. Data were compiled by Rogers, Casey & Associates, Darien, Conn.

A key factor hammering the indexes — and index fund performance — was the Tokyo market's plunge, illustrated by the 32.05% tumble of the Japanese component of EAFE during the quarter.

In the short term, avoiding Japan's market proved fortuitous for many top performers. As stocks and bonds suffered in the first quarter of this year, "cash was the place to be," said Jeffrey Brummette, director of fixed income at PCM International.

The firm's $47 million global yield fund pursued a strategy of investing primarily in short-term government securities or bank deposits in the United Kingdom and continental Europe. In the first quarter, between 65% and 75% of the fund was invested in European instruments, while about 20% of the fund consisted of U.S. cash.

During the second half of 1989, the fund had shifted its focus from Australia, New Zealand and Canada to Europe as interest rates rose amid continuing strong economic growth and continued inflation-fighting by European central banks.

CIGNA's nearly 6-year-old $245 million international fund,

See **Foreign** *on page 43*

Short sellers top special equity pack

By Curtis Vosti

The first quarter of the decade turned out to be the type the Feshbach Brothers of Palo Alto, Calif., like: the Standard & Poor's 500 Stock Index posted a loss.

The notorious short-selling brothers, Joe, Matt and Kurt, with partner Tom Barton, make bets on stocks they think are overvalued by at least 100%. When the market goes up, the Feshbachs expect to be down less than the market went up. When the market goes down, the firm expects to be up more than the market is down.

Their Southgate Partners fund, a limited partnership with $388 million in assets, was the top performing special equity fund among the 46 investment management firms in PIPER+ not only for the quarter, but also for the one-, three- and five-year periods ended March 31.

According to partner Joe Feshbach, Southgate Partners contains about 200 issues from any place their intensive research determines overvalue.

"We tend to do shorts all across the board," he said. "Most markets, even weak markets, tend to have pockets of speculative excess." Banks have been a particular target in the last couple of years, as have biotech firms that played on hopes of a cure for AIDS, such as **Viratek Inc.** **Texas Air Corp.** was another winner for the strategy.

Southgate returned 14.8% for the quarter, 49.8% for the year, 47.44% for the three years and 44.37% for the five years. All returns for periods of more than one year are annualized.

In comparison, the median PIPER+ returns for the respective periods were −1.86%, 6.24%, 4.88% and 10.78%. The S&P returns for the periods were −3.01%, 19.15%, 8.85% and 17.53%.

Among the 81 bank and insurance company commingled funds in the Pensions & Investments' Performance Evaluation Report — compiled by Rogers, Casey & Associates, Darien, Conn. — Texas Commerce Bank of Houston's $15 million special equity fund returned 5.42% for the quarter, topping the list and beating both the S&P and the Russell 2000, which returned −2.21%. The median was −2.86%.

Small companies in computer software and energy services fields helped the leading performance, according to Henry Lartique, portfolio manager.

"Money follows earnings in the stock market," Mr. Lartique said. A 100% turnover is normal for the about 40 stocks in the fund with a market cap of $400 million or less.

Winners for the fund in the first quarter included **Quiksilver Inc.** and **Oceaneering International Inc.**

The emerging growth fund of Princeton Bank and Trust, Morristown, N.J., was the best performing commingled fund for the 12-month period, with a 36.52% return. In comparison, the median PIPER return was 11.12%; the S&P 500, 19.15%; and the Russell 2000, 5.53%.

The $5 million fund contains around 20 issues, and has an average turnover of 50%, according to

See **Short sellers** *on page 46*

PEOPLE

'Temp agency' adds banker to list

■ Is it possible to turn a 24-hour-a-day job like investment banking into a family-friendly career?

Alterna-track, a New York-based executive search firm for temporary or part-time positions in the financial services industry, is striving to do just that with the addition as partner of Carol Curley, a former director in the investment banking area of Prudential-Bache Securities Inc.

Formed last November by working moms Suzanne Rinfret Moore, formerly a government bond saleswoman at J.P. Morgan Securities Inc., and Karen Cook, former vice president and the first female equity trader at Goldman, Sachs & Co., the firm has specialized in serving the needs of small corporations, investment advisers and boutiques.

Now it hopes to attract big commercial and investment banks by strengthening its thrust into corporate finance and investment banking — sort of a "temp agency" to the Street.

The firm's stable of 300 professionals, 90% of them women, have expertise in such fields as investment and commercial banking, law, brokerage, financial public relations and marketing.

"A lot of consolidation and layoffs have cut staffs down very deeply. Firms need very experienced people to work on whole transactions on administrative management, evaluation of companies for M&A and ESOPs, recruitment and training," Ms. Curley said.

Carol Curley, a former Pru-Bache executive, is a new partner at Alterna-track.

MERCHANT BANKS

No dark clouds loom over Schroders

■ While most U.S. brokerage firms are reporting less than stellar results at home and abroad amid a slowdown in their bread-and-butter businesses, profits at Schroders PLC, the U.K. merchant bank, rose 55% in 1989.

The bank's corporate finance, money management and international capital markets operations all turned in strong performances. Profits were $75 million (46.6 million pounds), up 55%. Earnings per share rose 55% to $236.96 (148.1 pounds). Financial controller D.J.H. Morris said corporate finance and money management operations together contributed more than 50% of earnings.

In recent years Schroders has refocused business activities, redirected capital resources and pushed into new lines of business to generate diverse earnings streams. In 1989, corporate finance was the largest contributor to earnings, and money management was the second largest contributor, according to Mr. Morris.

The firm's capital base was increased by three new investors — Bank of Boston, Massachusetts Mutual Life Insurance Co. and The Mitsubishi Trust & Banking Corp. — which each bought a 4.9% interest.

REAL ESTATE

L.A. County fund finds new home

Gateway Plaza will be the new home of the Los Angeles County pension fund, which paid $55 million for the suburban property.

■ Like some corporations, the $10.2 billion Los Angeles County Employees' Retirement Association is exiting a crowded, trouble-plagued downtown area for more serene space in the suburbs.

The fund paid $55 million for a 13-story, 300,000-square-foot office building, Gateway Plaza, in Pasadena, which will serve as new administrative offices.

The fund had outgrown the space it had been leasing in a county building in the core of downtown Los Angeles.

Although they could have remained downtown, the fund's staff and investment board chose to flee the downtown area for many of the same reasons some corporations have cited: crime, congestion and higher costs.

Charles Conrad, administrator for the fund, said Gateway Plaza is the largest building in Pasadena and probably will remain so. In March 1989, Pasadena voters passed an initiative that limits commercial growth to 250,000 square feet of office space a year, about 50,000 square feet less than the size of Gateway Plaza.

Because it has large floor plates, Gateway Plaza should be sought for rentals by big companies with good credit, considered a plus in the real estate industry, Mr. Conrad said. The pension fund is leasing about 80,000 square feet in the building.

INTERNATIONAL

Small stocks fared better in quarter

■ During the first quarter, foreign small-cap stocks overall took it on the chin, but not as badly as the broader international arena.

For the first quarter, the bottom decile by market capitalization of the FT-Actuaries Europe and Pacific Index fell 15.16% compared with −19.88% return by the full index, said Sudip Thakor, assistant vice president, Travelers Investment Management Co., Hartford, Conn. TIMCO manages $70 million in a commingled international small-capitalization stock fund.

Thus, while international investments generally "weren't as good a place to be in the first quarter," investors in international small-cap stocks "lost a lot less money than if they had invested in a broader market index," he said.

For the year ended March 31, foreign small-cap investors fared better. For the 12 months, the bottom decile by market cap of the FT-A EuroPac rose 0.94% compared with a return of −11.07% by the full index.

TIMCO introduced its foreign small-cap stock fund in September 1989.

For the six-month period ended March 31, the fund posted −10.66% compared with −10.57% by the bottom decile of the FT-A EuroPac and a brutal −16.04% by the broader index.

INVESTING

7 years bad luck for equity firms

■ Stock managers lagged the Standard & Poor's 500 Stock Index for the seventh year in a row last year, according to a survey by William M. Mercer Asset Planning Inc.

In 1989, the survey of 122 bank and insurance company investment managers showed a median return of 26.5% — a far cry from the 31.7% chalked up by the S&P. The S&P's return outpaced more than three-quarters of the managers in the Mercer survey.

The sample median return trailed the S&P every year in the 1980s except 1981 and 1982. For the entire decade, the Mercer equity median returned 16.5% on a compound annualized basis, compared with 17.6% for the S&P.

For the future, 58% of the managers surveyed expected a flat economy in 1990, while 33% predicted a mild recession.

In addition, 36% believe the Dow Jones industrial average will fall below 2600 by year end; another 26% think the Dow will be between 2,600 and 2,799; 22% between 2,800 and 3,000; and an optimistic 16% think the widely followed stock market barometer will top 3,000.

FINANCING

Merrill leads underwriting derby

■ Merrill Lynch Capital Markets posted the highest underwriting volume during the first four months of 1990, with $16.1 billion, up from $15.9 billion a year ago.

Merrill Lynch had a 16.7% share of the total U.S. domestic securities market, according to IDD Information Services, New York. For the year ended April 30, Merrill Lynch ranked first with $46.3 billion in underwriting volume and a 14.6% market share.

Total U.S. underwriting volume during the first four months of 1990 was $96.4 billion, up 9.2% from the same period a year ago.

Combined underwriting volume for the top five firms during the first four months increased $1.9 billion — 3.4% — from the same period in 1989, but their market share fell 3.3 percentage points because of the entry of smaller, more specialized firms.

Top 5 underwriters
(Jan. 1-April 30)

	$ bils.	Market share (%)
Merrill Lynch	16.1	16.7
Goldman, Sachs	12.5	12.9
Morgan Stanley	11.2	11.7
Salomon Brothers	9.9	10.3
First Boston	8.0	8.3

Source: IDD Information Services, New York

While the debt market volume was up $3.5 billion to $86.3 billion in the first four months of this year, its share of the overall market dropped to 90% from 94%. The junk bond market virtually has disappeared, according to IDD, with only $400 million issued to date. For the year ended April 30, junk bond volume was $18.9 billion, compared with $28.6 billion the previous year.

RATINGS

1990 starts off with a flurry of downgrades

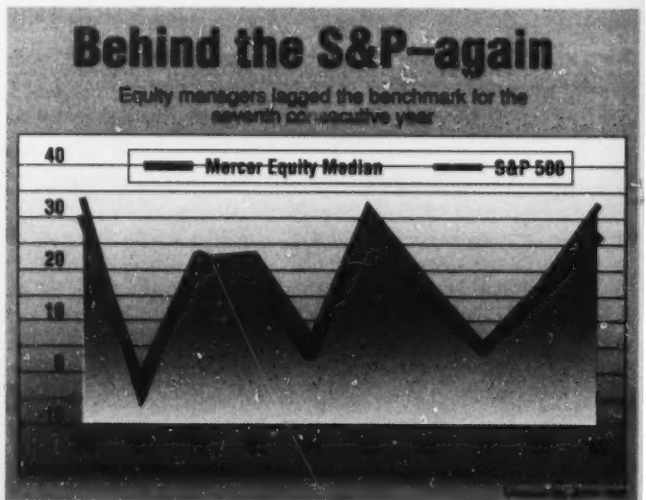
■ More bad news for corporate issuers.

Credit rating downgrades of U.S. corporations outpaced upgrades by a factor of four to one in the first quarter of 1990, according to Moody's Investors Service Inc.

And the pace isn't likely to abate during the remainder of the year.

The New York-based rating agency attributed the credit quality slide to declines in real estate values and the imposing debt obligations of many speculative-grade companies.

Credit ratings for 95 companies were lowered and 23 were upgraded. The sharpest declines occurred among financial institutions.



Advisers stick to guns in search for quality

By Fred Williams

Quality and discipline were the common characteristics of the top performing portfolios in the PIPER+ universe for the first quarter.

The quality theme combined with unstable economic and market conditions propelled an enhanced money market fund to the top position in the PIPER+ fixed-income universe for the quarter.

"Cash did much better than bonds in the first quarter," said Seymour N. Lotsoff, chief investment officer of Lotsoff Capital Management, Chicago. The firm's $500 million enhanced income fund finished the quarter with a return of 2.45%.

Mr. Lotsoff said the fund is a money market fund that uses options arbitrage positions on Treasury bonds. Approximately 38 basis points of the first-quarter return was added by the arbitrage program, he said, with the balance of the underlying income generated through money market instruments.

The median fixed-income fund returned −0.69% for the quarter and the Shearson Lehman Hutton Government/Corporate Bond Index, −1.14%.

Bridgewater Asset Management, Wilton, Conn., topped the PIPER+ fixed-income list for the 2 months and five years ended March 31 with respective returns of 15.9% and 18.11%. The median fund returned 10.91% and 11.61% for the respective periods, while the index returned 11.7% and 11.28%. All returns for periods of more than one year are annualized.

Harris Investment Management, Chicago, was the best performing fixed-income manager for the 10 years ended March 31 with a return of 17.18%, compared with 13.12% for the median and 13.09% for the index.

Scott Gerwitz, research analyst at Bridgewater, said the $200 million fund usually is invested in either 30-year T-bonds or cash. "We add value through duration management rather than sector rotation," he said. Bridgewater was in T-bonds most of 1989 and in cash most of January, "in and out" of bonds in February and in cash for the first part of March, he said.

For the first quarter, the median equity manager in the PIPER+ universe returned −2%. Equity managers did better for longer terms, with median returns of 17.11% for the 12 months, 17.22% for the five years and 19.39% for the 10 years ended March 31. In contrast, the Standard & Poor's 500 Stock Index returned 19.15%, 17.53% and 17.7% respectively.

Dawson Samberg Capital Management, Southport, Conn., was the leading equity manager for the quarter and for the year with returns of 10.7% and 67.54% respectively.

C.H. Brown Co., Minneapolis, topped the performance lists for the five- and 10-year periods with returns of 29.4% and 29.65%, respectively.

Richard Halverson, principal with C.H. Brown, said the firm uses a computer-directed investment approach but does not classify it as quantitative.

He said the computer is used to analyze financial and market data and to group stocks into clusters based on quality, earnings momentum and current market valuations. The computer selects the three highest ranking clusters from which portfolios of 30 stocks are selected.

"It has aspects of tactical asset allocation but is unique in many ways. The system really is a balancing of fundamentals on one side and momentum on the other," he said. "It is designed to spot internal movements of the market and move with it."

He said the model has been out of equities since October 1989 and was out of the market for most of 1988.

He said stocks have been from a wide variety of sectors, but technology issues were beneficial in the early part of the 1980s along with consumer staples.

Among PIPER+ balanced and tactical asset allocation funds the quality and discipline themes also

See **Quality** *on page 20*

PIPER+ equity funds
(periods ended March 31)

	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	10.70%	67.54%	66.75%	29.40%	29.65%
First quartile	−0.42	20.85	10.34	19.01	21.68
Median	−2.00	17.11	8.71	17.22	19.39
Third quartile	−3.39	11.51	6.70	15.16	17.91
Lowest return	−19.40	−6.60	−6.44	7.49	11.68
S&P 500	**−3.01**	**19.15**	**8.85**	**17.53**	**17.70**

PIPER+ fixed-income funds
(periods ended March 31)

	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	2.45%	15.92%	11.02%	18.11%	17.18%
First quartile	0.31	11.83	7.78	12.32	14.07
Median	−0.69	10.91	7.34	11.61	13.12
Third quartile	−1.30	9.23	6.69	10.53	12.57
Lowest return	−4.76	−6.07	3.49	8.32	10.52
SLH G/C	**−1.14**	**11.70**	**6.99**	**11.28**	**13.09**

PIPER+ special equity funds
(periods ended March 31)

	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	14.88%	49.80%	47.44%	44.37%	23.56%
First quartile	−0.23	13.25	8.73	14.35	16.35
Median	−1.86	6.24	4.88	10.78	14.27
Third quartile	−4.08	−0.90	2.65	10.28	13.28
Lowest return	−9.63	−12.40	−1.02	7.96	12.40
S&P 500	**−3.01**	**19.15**	**8.85**	**17.53**	**17.70**
Russell 2000	**−2.21**	**5.54**	**1.38**	**9.51**	**15.84**

Real estate funds top inflation rate

By Terry Williams

Commingled real estate funds managed by Schroder Real Estate Associates and State Street Bank & Trust Co. posted the highest return on investment for the five years ended Dec. 31, according to the Pensions & Investments' Performance Evaluation Report.

For the one-year period, open-end and closed-end funds sponsored by John Hancock Financial Services posted the highest returns.

The median return on investment for open-end funds for the year was 8.04%; closed-end funds returned 7.21% for the same period. For the five years, open-end funds returned 8.7% and closed-end funds returned 9.61%.

In comparison, the Consumer Price Index rose 4.76% for the year and 3.69% for the five years. All returns for periods of more than one year are annualized.

PIPER data are compiled by Rogers, Casey & Associates, Darien, Conn.

John Hancock's closed-end Forestree I fund and its open-end separate accounts fund, which also buys forestland, were No. 1 for the year. Forestree I, with assets of about $126 million, had a return of 20.24%; the $589.3 million separate accounts fund posted returned 41.68%.

Richard N. Smith, portfolio manager with Boston-based John Hancock, attributed the high return of the separate accounts fund to advantageous purchases.

"Timberland does not generate those returns normally. . . . When we come out of the acquisition phase, we will see returns more in line with what timber usually does, which is 10% to 15%," he said.

Acquisition of timberland in the Pacific Northwest in particular contributed to the strong returns, according to Mr. Smith. Of the five separate accounts, one is heavily concentrated in that part of the country, he said.

"The Pacific Northwest is the strongest performing market right now," Mr. Smith said. "We see it continuing over the next few years."

The Forestree fund is a more balanced portfolio with 60% of its land in the South and 40% in the Northwest, according to Mr. Smith.

Forestree I has a 10-year lifespan and, as it reaches the midpoint, is in the disposition phase, Mr. Smith said. The fund already has sold two properties, at a 30% premium of appraised value.

Returns also will be buoyed by the opening and expansion of pulp and paper mills in Alabama and Mississippi, according to Mr. Smith.

For the five years, the leading funds were Schroder's open-end Real Estate Composite fund with 14.41% and State

See **Realty** *on page 20*

Growth stays in limelight

High-yield bonds prove superior during longer terms

By Leonard J. Hollie

Growth stock portfolios maintained their top standings in the PIPER equity universe as the expected turnaround in value stocks failed to materialize during the first quarter of 1990.

In fixed income, high-yield funds moved to the end of the spectrum, leading only in the long term as mortgage-based bond funds led in both short- and medium-term categories.

For the quarter and the year ended March 31, the Standard & Poor's 500 Stock Index returned −3.01% and 19.15%, respectively.

The median equity fund in the Pensions & Investments' Performance Evaluation Report returned −2.22% for the quarter and 16.68% for the year.

In the fixed-income market, the Shearson Lehman Hutton Government/Corporate Bond Index returned −1.14% for the quarter and 11.7% for the year.

PIPER returns reflect the performance of bank and insurance company commingled funds and are compiled by Rogers, Casey & Associates, Darien, Conn. All return figures for periods greater than one year are annualized.

For the quarter, CoreStates Investment Advisers Inc.'s Growth Fund was first, returning 3.3%.

"The kinds of stocks we invest in have high earnings rates," said Timothy G. Connors, managing director for equity services at Philadelphia-based CoreStates, about the $205 million fund.

"We also entered the year with higher cash levels than we usually have, at about 15%, and we began to deploy cash in the latter part of the quarter as the opportunity arose," he said.

Some of the stocks in the portfolio include **Boeing Co.** and such small-capitalization technology stocks as **Autodesk Inc., Automatic Data Processing Inc.** and **Structural Dynamics Research Corp.**

Mr. Connors said the firm also was successful with **Liz Claiborne Inc., Dreyer's Grand Ice Cream Inc.** and **Medical Care International Inc.**

Shearson Lehman Hutton Trust Co.'s Flexible Growth 7 fund led all 337 pooled equity funds for the year ended March 31, returning 38.8%.

Larry Tashjian, executive vice president for Provident Investment Counsel, Pasadena, Calif., which is the adviser to the $5 million Shearson fund, said stocks in the fund have continued to do well in a slow growth economy. "The market pays for predictability," he said. Some of the stocks in the portfolio include **Toys "R" Us Inc., Wal-Mart Stores Inc., Waste Management Inc.** and **L.A. Gear Inc.**

In the five-year returns, Sun Bank Capital Management's Equity Fund placed first, returning 25.06% on a compound annua-

See **Limelight** *on page 18*

PIPER equity funds
(periods ended March 31)

	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	3.30%	38.80%	16.80%	25.06%	26.06%
First quartile	−1.14	20.24	9.57	17.44	18.25
Median	−2.22	16.68	8.16	15.94	17.10
Third quartile	−3.06	13.11	6.21	14.35	15.53
Lowest return	−6.17	−9.19	−13.91	3.27	11.65
S&P 500	**−3.01**	**19.15**	**8.85**	**17.53**	**17.70**

PIPER special equity funds
(periods ended March 31)

	Quarter	1 yr.	3 yr.	5 yr.	10 yr.
Highest return	5.42%	36.52%	18.45%	28.88%	21.86%
First quartile	−0.72	16.75	9.89	15.96	18.96
Median	−2.86	11.12	5.70	13.25	16.27
Third quartile	−4.80	7.46	2.89	10.50	13.12
Lowest return	−9.99	−7.66	−4.27	4.45	10.83
S&P 500	**−3.01**	**19.15**	**8.85**	**17.53**	**17.70**
Russell 2000	**−2.21**	**5.54**	**1.38**	**9.51**	**15.84**

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Limelight

Continued from page 17

lized basis.

For the five-year period, the S&P 500 returned 17.53%; the median PIPER equity fund advanced 15.94%.

Anthony Gray, president of Sun Bank Capital, Orlando, Fla., said the reason for the $700 million fund's success was, "we buy large successful companies and trade actively." Some of the stocks in the portfolio include **Wal-Mart**, **General Electric Co.**, **PepsiCo Inc.**, **Procter & Gamble Co.** and **Merck & Co. Inc.**

For the 10 years, the $23.2 million Capital Appreciation Fund managed by Pacific Financial Asset Management Corp., Newport Beach, Calif., placed first with an annualized 26.06%. Sun Bank's Equity Fund was second, returning 25.55% on an annualized basis.

The S&P 500 returned 17.7% during the 10 years ended March 31; the median PIPER equity fund advanced 17.1%.

Betsy Moore, a spokeswoman for Pacific Financial, said the fund's managers look for positive fundamentals such as earnings momentum and re-investment rates, and also are looking for reasonable valuations such as expected price-earnings ratio, dividend yield and price to book value. "We try to avoid surprises," she said. Some of the stocks in the portfolio include **Adobe Systems Inc.**, **Novell Inc.** and **Compaq Computer Corp.**

Among the 303 funds in PIPER's fixed-income universe, The Mercantile Bank of Joplin, Mo.'s Collective Investment Fund F bested the field in both the quarter and one-year periods, returning 2.71% and 19.9% respectively.

Thomas Atteberry, chief investment officer for Mercantile Bank, said timing was one of the reasons for the success of the $5 million portfolio, which had been concentrating on 15-year mortgages purchased last year and on home loans from the Farm Credit Bureau. "We were aggressive in going long term last year, then we were offensive in the fall and stayed short term," he said.

For the five years, the Employee Benefit Income Fund of Meridian Investment Co., Wilmington, Del., was first, returning an annualized 14.93%.

The Shearson Lehman Hutton index returned 11.28% for the five years ended March 31; the median PIPER fixed-income fund returned 10.84%.

Kenneth Holmes, Meridian vice president, said the fund's performance, "gained great value from participation in AAA mortgage realty securities." The average quality of the $24 million portfolio is rated AA+, with more than half of the portfolio rated AAA. Mr. Holmes said, however, the portfolio will be lessening its position because that market sector is weakening and the spreads are becoming less attractive. "We will be doing more with mortgage financing and Treasuries," he said.

In 10-year returns, First Variable Life's Separate Account D-2 fixed-income fund was first, returning an annualized 15.7%.

For the 10-year period, the Shearson Lehman Hutton index advanced 13.09%; the median PIPER fixed-income fund returned 12.39%.

"We bought for the long term and have under a 20% turnover rate," said Rebecca H. Garner, about the $2 million, high-yield First Variable fund.

Ms. Garner, vice president of Associated Capital Investors, the San Francisco-based investment vehicle for Monarch Capital Corp., which owns First Variable Life, said the fund's success came from the fact that "we don't trade around much, we buy and hold. And, we only buy coupons." She also said having 25% of the portfolio in cash helped boost performance in a market that does not favor high-yield bonds. ■

Pensions & Investments will profile global custody/ master trust and custodial banks in the Oct. 1 issue.

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Realty

Continued from page 17

Street Bank and Trust Co.'s closed-end Real Estate I fund, which posted a 16.34% return.

State Street's fund is managed by Aldrich, Eastman & Waltch, Boston.

PIPER's measurement of Schroder's performance included the returns of a closed-end fund, a publicly traded property fund listed on the exchanges in Paris and Amsterdam and two separate account agreements, according to John Emmanuel, senior vice president.

The $430 million North American Property Unit Trust, an open-end fund through which British pension funds invest in the United States and a part of the Schroder composite, is most representative of Schroder's philosophy to buy underused property and add value to it, said Mr. Emmanuel.

It had a five-year return 19% and a property mix of about 75% retail and 25% office.

Mr. Emmanuel attributed NAPUT's return to retail properties held in the trust.

During the first half of the 1980s, office buildings outperformed shopping centers, according to Mr. Emmanuel. But in the past four years, retail properties had a return on investment that was three to four times the Russell-NCREIF Index average, he said.

During the mid-1980s, Schroder capitalized on the high prices syndicators were paying for office properties in the Southeast and Southwest and redeployed money into property in the Northeast and West.

"It was a good time to capture profits and move on to other areas with more attractive risk-return relationships," Mr. Emmanuel said. "We saw the specter of overbuilding in the Southeast and the Southwest.

"We also deployed a lot of cash into major capital improvement programs. We did numerous expansion and refurbishing of office and shopping centers over the last five to six years.

"Ninety percent of what we did is buy property with value enhancement potential," Mr. Emmanuel said.

"We are active owners. We acquire with intent to create value."

The closed-end AEW-State Street Real Estate I fund manages $62.3 million of property. Of that amount, 61% is office, 28% is industrial and 11% is residential. ■

Quality

Continued from page 17

were apparent.

The top performing PIPER+ balanced manager in the first quarter was Harris Bretall Sullivan & Smith Inc., San Francisco, with a return of 2.2%. For most of the quarter, the asset allocation for the $189 million in balanced fund assets was 65% equities and 35% fixed.

Lauryn Bierdeman, vice president, said the equity portion has been weighted heavily toward economically sensitive stocks, technology stocks, capital goods, basic industry and chemicals.

Portfolio stocks tend to be high quality and growth oriented, she said, and include such names as **Emerson Electric Co.**, **General Electric Co.**, **Compaq Computer Corp.**, **Mentor Graphics Corp.**, **Intel Corp.**, **Motorola Inc.** and **Johnson & Johnson**.

The fixed-income portion is focused on two- to five-year Treasury instruments, she said.

"We use the equity for growth and the fixed income to control volatility and provide income," she said.

For the five years, the best performing balanced/TAA funds were tactical asset allocators with strong disciplined computerized approaches to investing.

Chancellor Capital Management, New York, was No. 1 for the five years with 23.69%. Hunt Whitbeck, vice president, said the fund uses stocks and T-bills in a model it calls "Stockshift 200." In the model, the equity portion can range "between zero and 200%" using leverage and taking long positions in stock index futures.

The system is based on a core index fund of equities from which Chancellor may go long or short in stock index futures "to get us where we want to go."

"We've made our money by being long in up markets and under 100% (equities) in falling markets," he said. In order to increase equity exposure to 200%, "cash is used to buy stock index futures to achieve equivalent equity exposures as if you were over 100% invested."

The PIPER+ universe contains 420 equity, 222 fixed-income and 163 balanced/TAA funds managed by investment counseling firms. The universe is compiled by Rogers, Casey & Associates, Darien, Conn. ■

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	%
Dawson Samberg (Gro. Pequot)	10.7
Securities Res. (Kemper Summit)	7.1
Securities Res. (Putnam Voyager)	6.5
Friess Assoc. (Brandywine)	5.9
Granahan Invst. (Explorer II)	5.9
Dawson Samberg (Rep. A/C)	5.5
Friess Assoc.	4.4
Presidio Mgmt. (Geary Partners)	4.4
Securities Res. (Nat'l)	4.0
Provident Invst. (Stellar)	3.5
Delta Financial (Growth)	3.4
Fred Alger Mgmt. (Small cap.)	3.0
Mesirow Asset Mgmt. (Small cap.)	3.0
Harris Bretall Sullivan & Smith	2.6
Securities Res. (Dreyfus Growth)	2.5
Red Oak Assoc.	2.4
One Federal Asset	2.3
Wall Street Assoc. (Sm. cap. gro.)	2.3
Birmingham Capital	2.3
Gateway Advisors (Index plus)	2.2
C.H. Brown (Computer)	2.1
Pilgrim, Baxter, Greig (Small cap.)	2.0
Webster Capital (Max return)	1.9
Lynch & Mayer (Growth)	1.9
Mitchell Hutchins (Uncom. value)	1.6
Fiduciary Mgmt. Assoc.	1.6
Frontier (Trad. gro.)	1.4
First Security Mgmt.	1.4
Donald Smith & Co.	1.4
Peregrine Capital (Agg./sm. cap.)	1.2
General American (Closed-end)	1.1
Federated Invst.	1.1
Jundt/Capen Assoc. (Small-cap.)	1.1
Sterling Capital	0.9
IDS Equity Advisors	0.8
Franklin Asset Mgmt.	0.8
Baring America Asset (Trad.)	0.7
Cowen Asset Mgmt. (Small cap.)	0.7
Lincoln Capital Mgmt.	0.7
Dawson Samberg (Growth)	0.6
John Stewart Darrell	0.6
Pacific Century (Em. gro./sm.)	0.5
Nicholas-Applegate (Growth)	0.5
PRIMECAP Mgmt.	0.4
Lehman Ark Mgmt.	0.3
CMB Invst. Counselors	0.2
Jundt/Capen Assoc. (Large cap.)	0.2
Trust Co./West	0.1
Renaissance Invst. (Disc.)	0.1
Waddell & Reed Asset (Agg.)	0.1

Continued on page 22

Continued from page 20

Cumberland Advisors	0.0
Analytic Invst. Mgmt. (Hedged)	0.0
Lehman Ark (Garp)	0.0
Mitchell Hutchins (Core growth)	0.0
Beekman Capital Mgmt. (Gro.)	0.0
Waddell & Reed Asset (Core)	0.1
S&P 500	**3.0**

1-year returns

	%
Dawson Samberg (Gro. Pequot)	67.5
Provident Invst. (Stellar)	41.6
Fred Alger Mgmt. (Sm. cap)	41.0
Pilgrim, Baxter, Greig (Sm. cap.)	35.7
Dawson Samberg (Rep. A/C)	34.5
Cheswick Invst.	34.1
Frontier (Trad. gro.)	33.0
Securities Res. (Putnam Voyager)	32.9
Wilke Thompson (Emerg. growth)	32.2
Provident Invst.	31.6
Jundt/Capen Assoc. (Small cap.)	31.4
Jundt/Capen Assoc. (Lg. cap.)	30.3
Rainier Invst. (E)	30.2
Lynch & Mayer (Growth)	29.9
Presidio Mgmt. (Geary Partners)	29.6
Lincoln Capital	29.1
General American (Closed-end)	29.1
Investors Res. (20th cen. gro.)	28.6
Pacific Century (Em. gro./sm.)	28.1
Friess Assoc. (Brandywine)	28.0
IDS Equity Advisors	28.0
Friess Assoc.	27.7
Wall Street Assoc. (Sm. cap. gro.)	27.7
Trust Co./West (Special)	27.4
Janus Capital	27.2
Beacon Invst.	27.1
Miller/Howard Invst. (AMP)	26.7
Leylegian Invst.	26.5
IDS Eq./Emerging Growth	26.5
Wilke Capital (Core growth)	26.5
Nicholas-Applegate (Growth)	26.3
Investors Res. (20th cen. sel.)	25.8
Dawson Samberg (Growth)	25.6
CMB Invst. Counselors	25.6
Mt. Auburn Mgmt.	25.4
Nelson, Benson & Zellmer	24.9
Sunbank Capital (Suntrust)	24.8
Mass. Financial (Low vol.)	24.7
Columbus Circle Investors	24.4
Value Line (Standard)	24.3
J & W Seligman (Growth)	24.2
Baring America Asset	24.2
Goldman Asset (Segt. linked)	24.1
Securities Res. (Kemper Summit)	24.0
Kemper Asset	23.3
Kahn Bros. Asset (D)	23.2
Peregrine Capital (Agg./sm. cap.)	23.2
Tukman Capital (Active)	23.0
Trust Co./West	22.9
Scudder Stevens Clark (Qual.)	22.8
Securities Res. (Nat'l)	22.8
Lehman Ark (Spec. sit.)	22.6
INVESCO Trust (Defensive)	22.5
Invst. Advisers (156720)	22.4
Delta Financial (Growth)	22.3
Sirach Capital	22.2
S&P 500	**19.2**

5-year returns

	%
C.H. Brown (Computer)	29.4
Wilshire Asset (Lg. co. growth)	28.9
Crescent Capital (Enhance index)	26.7
Cadence Capital (Small cap.)	26.6
Jundt/Capen (Small cap.)	23.6
Combined Capital (Quality growth)	23.3
Breau Capital	23.2
Frontier (Sm. cap.)	23.1
Invst. Res. (Max. gro. strat.)	22.9
Balch Hardy Scheinman	22.9
Friess Assoc.	22.8
Pacific Century (Em. gro./sm.)	22.8
Davis, Weaver & Mendel	22.6
Ariel Capital (Growth/value)	22.6
Pennsylvania Invst. (Dyn. value)	22.4
Beacon Invst.	22.3
Cheswick Invst.	22.2
Argus Investors (Lg. cap. divers.)	22.1
Leylegian Invst.	22.1
Securities Res. (Dreyfus Growth)	21.8
Cadence Capital (Lg. cap.)	21.7
DeJarnette Invst.	21.7
Columbus Circle Investors	21.6
Institutional Capital	21.4
First Security	21.2
Waddell & Reed Asset (Core)	20.9
Investors Res. (20th cen. gro.)	20.7
Kahn Bros. Asset (D)	20.7
Geewax Terker (H.Q. growth)	20.7
Equinox Capital (U.S.)	20.5
Dietche & Field Advisers	20.4
Nicholas-Applegate (Growth)	20.3
PRIMECAP Mgmt.	20.3
Invst. Advisers (Small cap.)	20.2
Red Oak Assoc.	20.2
Lynch & Mayer (Growth)	20.1
MSR Advisors (Technical)	20.0
Lincoln Capital	20.0
Putnam Cos. (Emerg. growth)	20.0
Mitchell Hutchins (Core value)	19.9
Friess Assoc. (Brandywine)	19.8
Severn Assoc. (I)	19.8
Brinson Partners	19.7
Caldwell & Orkin	19.7
Tukman Capital (Active)	19.6
Capital Growth	19.6
Invst. Counselors	19.5
Delta Financial (Growth)	19.5
Putnam Cos. (Spec. growth)	19.5
S&P 500	**17.5**

10-year returns

	%
C.H. Brown (Computer)	29.7
Nicholas-Applegate (Emerg. gro.)	28.9
Friess Assoc.	28.4
Wall Street Assoc. (Sm. cap. gro.)	27.6
Severn Assoc. (I)	27.3
Friess Assoc. (Brandywine)	27.0
Balch Hardy Scheinman	26.9
Cadence Capital (Large cap.)	26.1
GAMCO Investors (ERISA)	25.9
Securities Res. (Dreyfus Growth)	25.5
Delta Financial (Growth)	25.5
Ashland Mgmt.	25.4
Wilshire Asset (Sm. co. value)	25.4
Cedar Hill (Value)	25.0
Brandywine (Low p/e II/sm. cap.)	24.6
Caldwell & Orkin	24.2
Jundt/Capen (Small cap.)	24.1
Geewax Terker	24.0
Hellman, Jordan	24.0
Capital Growth	23.8
Miller Anderson Sherrerd (Sm.)	23.3
Columbus Circle	23.1
R.B. Haave Assoc.	23.1
First Security	23.0
Tukman Capital (Active)	23.0
Eagle Asset	22.9
Geewax Terker (Sect. rotation)	22.9
Geewax Terker (H.Q. growth)	22.8
Invst. Res. (Max. gro. strat.)	22.7
S&P 500	**17.7**

Top two deciles PIPER + fixed-income funds

3-month returns

	%
Lotsoff Capital (Enhanced inc.)	2.5
Chemical Invst. (Money mkt.)	2.1
Hoisington Invst.	2.1
Gabelli O'Connor (Act. cash)	2.1
Glickenhaus & Co.	2.0
Chandler & Chambless (Short)	1.8
Shelby County Gov't	1.7
Consistent Asset (5-year)	1.7
Delta Financial (Quant.)	1.6
Cumberland Advisors (Plus cash)	1.6
Wilmington Trust (Bench. 7-year)	1.4
Wilmington Trust (Bench. 3-year)	1.4
Income Research (Enhanced cash)	1.3
Chase Invst.	1.3
Discount Corp. of New York (Liq.)	1.2
Wilmington Trust (Bench. 5-year)	1.2
IDC Portfolio Mgmt. (Insured trip)	1.2
Merganser Capital	1.2
Brundage, Story & Rose	1.1
Consistent Asset (Total return)	1.1
IDC Portfolio (2-year trip)	1.1

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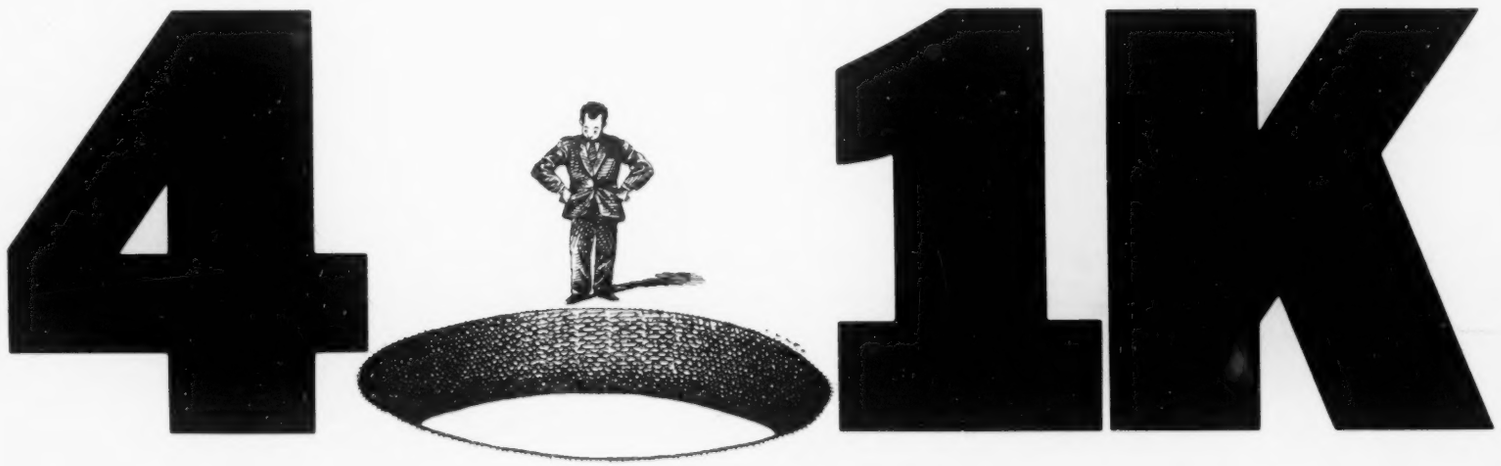

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Peregrine Capital (Total return)	1.0
Longfellow Invst. (Short dur.)	1.0
Criterion Invst. (Ltd. mat. 2-5 yr.)	1.0
Standish, Ayer & Wood (Cont. risk)	1.0
STW Fixed Income (Short comp.)	1.0
Analytic Invst. (Enhance cash I)	1.0
Capitalcorp (Active 0-5)	0.9
Wells Fargo Invst. (1-3 yr. gov't)	0.9
Wilkinson Boyd (Enhance ltd. dur.)	0.8
SLH G/C	**1.1**

1-year returns

	%
Bridgewater Asset (Mkt. timing)	15.9
McKee Invst.	15.5
Waddell & Reed (Mgd. tot. ret.)	14.4
Wolf Webb Burk Campbell (Ant.)	13.8
Davis Hamilton (Inter.)	13.7
STW Fixed (Long)	13.4
Durkee Capital (Act. quant)	13.2
Income Research & Mgmt. (Long)	13.1
J & W Seligman	13.0
Haven Capital	12.8
Standish, Ayer & Wood (Act. core)	12.7
Standish, Ayer & Wood (SA free)	12.7
Security Capital (Long term)	12.7
Keystone Invst. (Tot. return)	12.6
Analytic Invst. (Plus)	12.5
Capital Guardian	12.5
Panagora Asset (Enhance bench.)	12.5
Van Kampen Merritt (En. bench.)	12.5
WR Lazard (Structured)	12.4
Invst. Advisers (Act. dur.)	12.4
Munder Capital (Active)	12.4
Putnam Cos. (Horizon mgmt.)	12.3
Federated Invst.	12.2
Aetna Life (Cap. weighted)	12.2
Cooke & Bieler	12.2
Mellon Capital (Cap. index)	12.1
Invst. Counsel (Inter.)	12.1
STW Fixed Income (Short comp.)	12.0
Wood, Struthers & Winthrop	11.9
SLH G/C	**11.7**

5-year returns

	%
Bridgewater Asset (Mkt. timing)	18.1
McKee Invst.	15.9
STW Fixed Income (Long comp.)	15.7
Hoisington Invst.	15.5
Huff Asset	14.8
Wolf Webb Burke Campbell (Ant.)	14.6
Consistent Asset (Tot. ret.)	14.3
Waddell & Reed (Mgd. tot. ret.)	14.0
Durkee Capital (Act. quant)	14.0
Denver Invst. (Long)	13.8
Ferguson & Wellman (Rate antic.)	13.8
Loomis, Sayles (Disc.)	13.3
Pacific Invst. (Total return)	13.1
NWQ Invst.	13.1
Signet Asset (Enhanced)	13.0
Harris Invst.	12.9
Western Asset (Long term)	12.9
Greenwich Asset	12.8
Trust Co./West (Convert.)	12.8
Standish, Ayer & Wood (Act. core)	12.8
Loomis, Sayles (Invst. grade)	12.7
Freedom Capital	12.7
Kemper Asset (Plus)	12.6
Peters, Gamm, West & Vincent	12.6
SLH G/C	**11.3**

10-year returns

	%
Harris Invst.	17.2
Consistent Asset (Tot. ret.)	17.0
STW Fixed Income (Long comp.)	16.2
Wolf Webb Burk Campbell (Ant.)	15.7
Western Asset (Long term)	15.6
Trust Co./ West (Convert.)	15.5
Loomis, Sayles (Disc.)	15.1
Wilmington Trust (Bench 7-year)	15.0
Greenwich Asset	14.9
Standish, Ayer & Wood (Act. core)	14.9
Denver Invst. (Long term)	14.8
Hoisington Invst.	14.8
Denver Invst. (Strat.)	14.5
Loomis, Sayles (Invst. grade)	14.5
Lincoln Capital	14.4
Invst. Advisers (20 ltd. dur.)	14.3
SLH G/C	**13.1**

Top two deciles PIPER + special equity funds

3-month returns

	%
Feshbach Bros. (Southgate)	14.9
MacKay-Shields (Convert. value)	2.1
Equitable Capital (Convert.)	2.0
Sullivan Money Mgmt. (High yield)	1.0
Gateway Invst. (Dividend)	1.0
Davis Dinsmore (Bancroft convert.)	0.9
Pacific Century (Convert.)	0.7
Russell 2000	**-2.2**
S&P 500	**-3.0**

1-year returns

	%
Feshbach Bros. (Southgate)	49.8
IDC Portfolio Mgmt. (Utility)	25.6
W.H. Reaves (Utility energy)	25.0
Axe-Houghton (Emerg. growth)	23.8
S&P 500	**19.2**
Pacific Century (Convert.)	16.7
Brinson Partners (Post venture)	15.5
Lynch & Mayer (Convert.)	13.7
Russell 2000	**5.5**

5-year returns

	%
Feshbach Bros. (Southgate)	44.4
W.H. Reaves (Utility energy)	19.2
Cramer Rosenthal McGlynn	18.8
S&P 500	**17.5**
IDC Portfolio Mgmt. (Utility)	17.4
Pacific Century (Convert.)	16.3
Russell 2000	**9.5**

10-year returns

	%
Cramer Rosenthal McGlynn	23.6
IDC Portfolio Mgmt. (Utility)	19.5
S&P 500	**17.7**
Harris Invst. (Convert.)	17.1
Trust Co./West (Convert.)	16.4
Russell 2000	**15.8**

Top two deciles PIPER + balanced/TAA funds

3-month returns

	%
Harris Bretall Sullivan Smith	2.2
Wells Fargo Invst. (Three-way)	1.1
Fiduciary Mgmt. Assoc. (Balanced)	1.0
Sterling Capital (Eq. asset alloc.)	0.8
Thomas J. Herzfeld (Bal./hedged)	0.4
Chancellor (Bondshift)	0.2
Lincoln Capital (Balanced)	0.1
Lehman Ark (Basic value bal.)	0.1
Rainier Invst. (Balanced)	0.1
Baring America Asset (Balanced)	0.0
Federated Invst. (Balanced)	-0.1
IDS Trust (Balanced 50/80)	-0.1
Standish Ayer Wood (Bal. act.)	-0.1
Cooke & Bieler (Balanced)	-0.1
First Bank Milwaukee	-0.2
Capitoline Invst. (Balanced)	-0.2
Morgan Stanley (Balanced)	-0.2
Gary Wheaton Bank (Balanced)	-0.3
Chancellor (Stockshift 50)	-0.3
Bartlett & Co. (Balanced value)	-0.4
Capital Trust (Balanced)	-0.4
Brundage, Story & Rose (Bal.)	-0.4

1-year returns

	%
Provident Invst. (Balanced)	25.5
Frontier Capital (Balanced)	21.6
J & W Seligman (Balanced)	21.2
Starbuck, Tisdale & Assoc.	21.0
Lincoln Capital (Balanced)	20.7
Furman Selz Capital (Balanced)	20.6
IDS Eq./Fixed Income (Balanced)	20.5
Institutional Capital (Balanced)	20.4
Baring America Asset (Balanced)	19.9
IDS Trust (Balanced 50/80)	19.9
Rainier Invst. (Balanced)	19.3
Cheswick Invst. (Balanced)	18.8
Caldwell & Orkin (Balanced)	18.3
QuantiLogic Asset (TAA)	18.0
Bankers Trust (TAA-active)	17.8
Fred Alger Mgmt. (Balanced)	17.7
Kemper Asset Mgmt. (Balanced)	17.7
Investment Advisers (Balanced)	17.5
Harris Bretall Sullivan Smith	17.3
Davis Hamilton (Balanced)	17.3
IDS Trust (Balanced 35/65)	17.3
J.P. Morgan Invst. (TAA)	17.1

5-year returns

	%
Chancellor (Stockshift 200)	23.7
First Quadrant (Tactical)	21.7
Institutional Capital (Balanced)	20.6
TSA Capital (Strat. TAA)	20.4
Bankers Trust (TAA-active)	19.2
Investment Counselors (Bal.)	18.4
TSA Capital (50/50)	18.4
Chancellor (Assetshift 65)	17.8
Mellon Equity Assoc. (Quant)	17.7
J.P. Morgan Invst. (TAA)	17.7
Provident Invst. (Balanced)	17.6
Lincoln Capital (Balanced)	17.4
Mellon Capital (3-way)	17.3
Starbuck, Tisdale & Assoc.	17.2
IDS Eq./Fixed Income (Balanced)	17.0
IDS Trust (Balanced 50/80)	17.0
NWQ Invst. Mgmt. (Balanced)	16.8
Bessemer Trust (Balanced)	16.8
Caldwell & Orkin (Balanced)	16.8

10-year returns

	%
First Quadrant (Tactical)	24.8
Kirr, Marbach (Balanced)	21.7
TSA Capital (Strat. TAA)	20.6
Mellon Capital Mgmt. (3-way)	20.6
Davenport & Co. of Va. (Bal.)	20.4
First Bank Milwaukee	20.1
Caldwell & Orkin (Balanced)	19.8
Chancellor (Assetshift 65)	19.5
Fidelity Mgmt. (Balanced)	19.3
Provident Invst. (Balanced)	19.3
Wells Fargo Invst. (Three-way)	19.2
J.P. Morgan Invst. (TAA)	19.2

PIPER + global equity funds

3-month returns

	%
Scudder Stevens Clark	-0.4
Marvin & Palmer	-0.7
Capital Guardian (New pers. F)	-0.7
Scudder Stevens Clark	-0.9
IDS Int'l	-1.4
Burgess Capital	-2.1
MSCI World	**-14.2**
FTA World	**-14.3**

1-year returns

	%
Scudder Stevens Clark	24.8
Ivory & Sime Int'l (3)	24.5
Burgess Capital	24.4
AIG Global Investors	22.7
Scudder Stevens Clark	21.6
Capital Guardian (New pers. F)	20.2
FTA World	**-1.6**
MSCI World	**-1.8**

5-year returns

	%
WorldInvest	34.2
Schroder Capital (X)	27.8
Brinson Partners	25.2
Credit Suisse Asset	25.1
FTA World	**22.1**
MSCI World	**21.9**

10-year returns

	%
Burgess Capital (Comp.)	25.4
MSCI World	**18.7**

PIPER + international equity funds

3-month returns

	%
CIGNA Asset	1.1
Morgan Stanley (S. Butt/EAFE)	1.0
Grantham Mayo (Quant.)	0.6
Lazard Freres Asset	0.4
Baillie Gifford (NCNB Texas)	0.0
Grantham Mayo (Active)	-0.6
Wellington Trust (Emerg.)	-0.9
Rowe Price-Fleming (Discovery)	-1.4
Marvin & Palmer	-1.7
Walter Scott Int'l	-1.8
Templeton Invst. Counsel	-2.2
Scudder Stevens Clark (ERISA)	-2.3
Scudder Stevens Clark	-2.5
Murray Johnstone Int'l	-2.5
Rowe Price-Fleming (Disc.)	-2.9
MSCI EAFE	**-19.7**
FTA Europe & Pacific	**-19.9**

1-year returns

	%
Rowe Price-Fleming (Discovery)	34.3
Schroder Capital (Small cos.)	32.5
CIGNA Asset	30.5
Morgan Stanley (S. Butt/EAFE)	26.7
Gantham Mayo (Quant.)	24.4
Lazard Freres Asset	23.4
Wellington Trust (Emerg.)	22.9
UBS Phillips & Drew Int'l	22.5
Scudder Stevens Clark	22.4
Baillie Gifford (NCNB Texas)	21.8
Globe Finlay (EAFE)	21.2
Grantham Mayo (Active)	20.7
Scudder Stevens Clark (ERISA)	20.6
GE Invst.	20.0
Alliance Capital (Active)	19.0
FTA Europe & Pacific	**-11.1**
MSCI EAFE	**-11.4**

5-year returns

	%
Mellon-Pictet (Pos. value uncon.)	63.5
Marsh & Cunningham (Castegren)	38.5
Morgan Stanley (S. Butt/EAFE)	36.1
Scudder Stevens Clark (ERISA)	33.5
WorldInvest (IPEF)	33.3
Grantham Mayo (Quant.)	32.3
Scudder Stevens Clark	32.0
Globe Finlay (EAFE)	31.7
GE Invst.	31.2
MSCI EAFE	**28.3**
FTA Europe & Pacific	**28.3**

10-year returns

	%
Marsh & Cunningham (Castegren)	29.5
Pacific Financial (EFF)	25.6
Bankers Trust Invst.	22.7
MSCI EAFE	**20.9**

Top two deciles PIPER commingled equity funds

3-month returns

	%
CoreStates (Growth), Pa.	3.3
First Nat'l of Tulsa, Okla.	2.4
Gary Wheaton Bank (Hedged), Ill.	2.4
Shawmut Bank, Mass.	2.3
Shawmut Bank (All. eq.), Mass.	2.0
Continental Capital, Ill.	2.0
United Capital, Colo.	1.9
First Asset Mgmt. (II), Minn.	1.8
SW Nat'l Bank of Pa.	1.7
Lincoln Nat'l (Select), Ind.	1.6
IDS Trust (Core growth), Minn.	1.1
Princeton Bank, N.J.	1.1
SLH Trust (Flex growth 7), Del.	0.9
Planters Nat'l (Growth), N.C.	0.9
The Phoenix, Conn.	0.9
Mercantile Bank Joplin (E), Mo.	0.7
First Tennessee Invst.	0.5
Commercial Capital (Spec. gro.)	0.5
Security Nat'l, W.Va.	0.5
Chicago Title & Trust	0.5
Security Nat'l (II), W.Va.	0.5
State Street Bank (CM02), Mass.	0.5
New York Life (SA 1)	0.4
Central Bank, La.	0.4
IDS Trust, Minn.	0.4
Union Labor Life (SA A), D.C.	0.3
Mutual of New York (Divers.)	0.3
SLH Trust (Dir. 1), Del.	0.2
Sovran Capital, Va.	0.2
United Carolina Bank, N.C.	0.1
Wheeling Dollar Bank, W.Va.	0.1
PW Trust (Conserv.), N.J.	0.1
Hamilton Bank, Pa.	-0.1
Stock Yards Bank, Ky.	-0.1
Travelers (SA Dr.), Conn.	-0.2
Wheeling Dollar Bank (B), W.Va.	-0.2
State Bank (C), Ohio	-0.3
Wilmington Trust-Tremont (Gro.)	-0.3
Valley Nat'l (I), Ariz.	-0.3
First Fidelity (Sel. value), N.J.	-0.3
Chancellor (Multifact)	-0.4
Nat'l Bank of Detroit	-0.4
Union Central, Ohio	-0.4
Merchants Nat'l (I), Ind.	-0.5
Provident Mutual (SA 1), Pa.	-0.5
Pacific NW Trust, Ore.	-0.5
Mercantile Bank Joplin (Gro. C)	-0.5
Meridian, Pa.	-0.6
Sunburst Bank, Miss.	-0.6
Mercantile Bank, Mo.	-0.6
Fifth Third Bank-Miami, Ohio	-0.6
The Phoenix (Growth S), Conn.	-0.7
Connecticut Mutual	-0.7
First City-Houston (A-1), Texas	-0.7
Minnesota Mutual (Growth)	-0.8
Colorado Nat'l Bank	-0.8
S&P 500	**-3.0**

1-year returns

	%
SLH Trust (Flex growth 7), Del.	39.4
Princeton Bank, N.J.	36.8
Chancellor (Select growth)	32.7
Lincoln Nat'l (Select), Ind.	31.5
Commercial Capital (Sp. gro.)	30.7
IDS Trust (Core growth), Minn.	28.1
The Phoenix (Growth S), Conn.	27.6
Chancellor (Styleshift)	27.5
Bank One Wisconsin (Growth)	26.5
First City-Houston (A-1), Texas	26.5
Mark Twain Bank, Mo.	26.3
Fidelity Mgmt. (Earn. gro.), Mass.	26.1
Riggs Nat'l Bank, D.C.	25.2
Fidelity Mgmt. (Income), Mass.	25.1
First Kentucky Trust	25.0
Chancellor (Growth)	24.9
Hibernia Nat'l (A), La.	24.8
Sun Bank, Fla.	24.8
Bank of New York	24.7
PW Trust (Growth/value), N.J.	24.7
Aetna Life (SA 2), Conn.	24.6
Mercantile Bank, Mo.	24.5
First Asset Mgmt. (II), Minn.	24.3
Merchants Nat'l (2), Ind.	23.9
Equitable Capital (No. 4), N.Y.	23.9
First Wis. Asset (Growth A)	23.7
Hibernia Nat'l (G), La.	23.6
Fidelity Mgmt. (Agg.), Mass.	23.5
CoreStates Invst. (Growth), Pa.	23.4
Wheeling Dollar Bank, W.Va.	23.3
State Street Bank (Matrix syn.)	23.3
Puget Sound Nat'l, Wash.	23.2
Merchants Nat'l (I), Ind.	23.0
Hamilton Bank, Pa.	23.1
Mercantile Bank Joplin (E), Mo.	23.0
Chancellor (Indexplus)	23.0
IDS Trust, Minn.	23.0
Johnson County Bank, Kan.	22.5
Connecticut Mutual	22.5
American Nat'l Chicago (Active)	22.4
Summit Trust, N.J.	22.4
Great West (VAAA), Manitoba	22.1
Equitable Capital (No. 1), N.Y.	22.1
Beverly Trust, Ill.	22.0
NBD Trust, Ill.	21.8
Imperial Trust, Calif.	21.8
Shawmut Bank, Mass.	21.7
First Variable Life, Ark.	21.7
Chicago Title & Trust	21.7
First Bank Milwaukee	21.5
Valley Fidelity, Tenn.	21.5
State Street Bank (CM02), Mass.	21.5
Assoc. Manitowoc, Wis.	21.4
Metropolitan Life (SA 40), N.Y.	21.3
Commercial Capital, Ark.	21.3
Wheeling Dollar Bank (B), W.Va.	21.2
S&P 500	**19.2**

5-year returns

	%
Sun Bank, Fla.	25.1
Chancellor (Select growth)	22.6
SLH Trust (Flex growth 7), Del.	22.3
Pacific Financial (Inc.), Calif.	22.2
State Bank (C), Ohio	22.1
Fidelity Mgmt. (Agg.), Mass.	22.1
State Street Bank (Matrix syn.)	21.9
Fidelity Mgmt. (Inc.), Mass.	21.8
South Carolina Nat'l	21.7
Pacific Financial (Cap. appre.)	21.7
IDS Trust (Core growth), Minn.	21.1
First Nat'l of Amarillo, Texas	20.0
Bank One Wisconsin (Disc.)	19.9
Bank of New York	19.8
State Street Bank (CM 02)	19.6
IDS Trust, Minn.	19.3
Puget Sound Nat'l, Wash.	19.1
United Capital Mgmt., Colo.	19.1
Wheeling Dollar Bank (B), W.Va.	19.0
American Nat'l Chicago (Active)	19.0
Assoc. Bank Neenah (Inc.), Wis.	19.0
First Fidelity (Sel. value), N.J.	18.9
Assoc. Bank Neenah, Wis.	18.9
Capital Trust (I), Ore.	18.9
Assoc. Manitowoc, Wis.	18.8
Meridian, Pa.	18.8
Southtrust Bank, Ala.	18.8
Chancellor (Indexplus)	18.4
Summit Trust, N.J.	18.4
Chase-CMB (Stock & fut. index)	18.3
Harris Trust (Systematic), Ill.	18.3
Valley Nat'l (I), Ariz.	18.2
First Fidelity, N.J.	18.2
Equitable Capital (No. 4), N.Y.	18.1
U.S. Nat'l Bank, Texas	18.1
Sovran Capital, Va.	18.1
Morgan Guaranty (Lg. co.), N.Y.	18.0
FirsTier Bank Omaha, Neb.	17.9
Bank One Wisconsin (Growth)	17.9
First Illinois (Corp.)	17.9
CREF, N.Y.	17.8
Travelers (SA 500), Conn.	17.8
First Security Nat'l (D), Ky.	17.7
Bankers Trust (Index), N.Y.	17.7
First Illinois (Personal)	17.7
S&P 500	**17.5**

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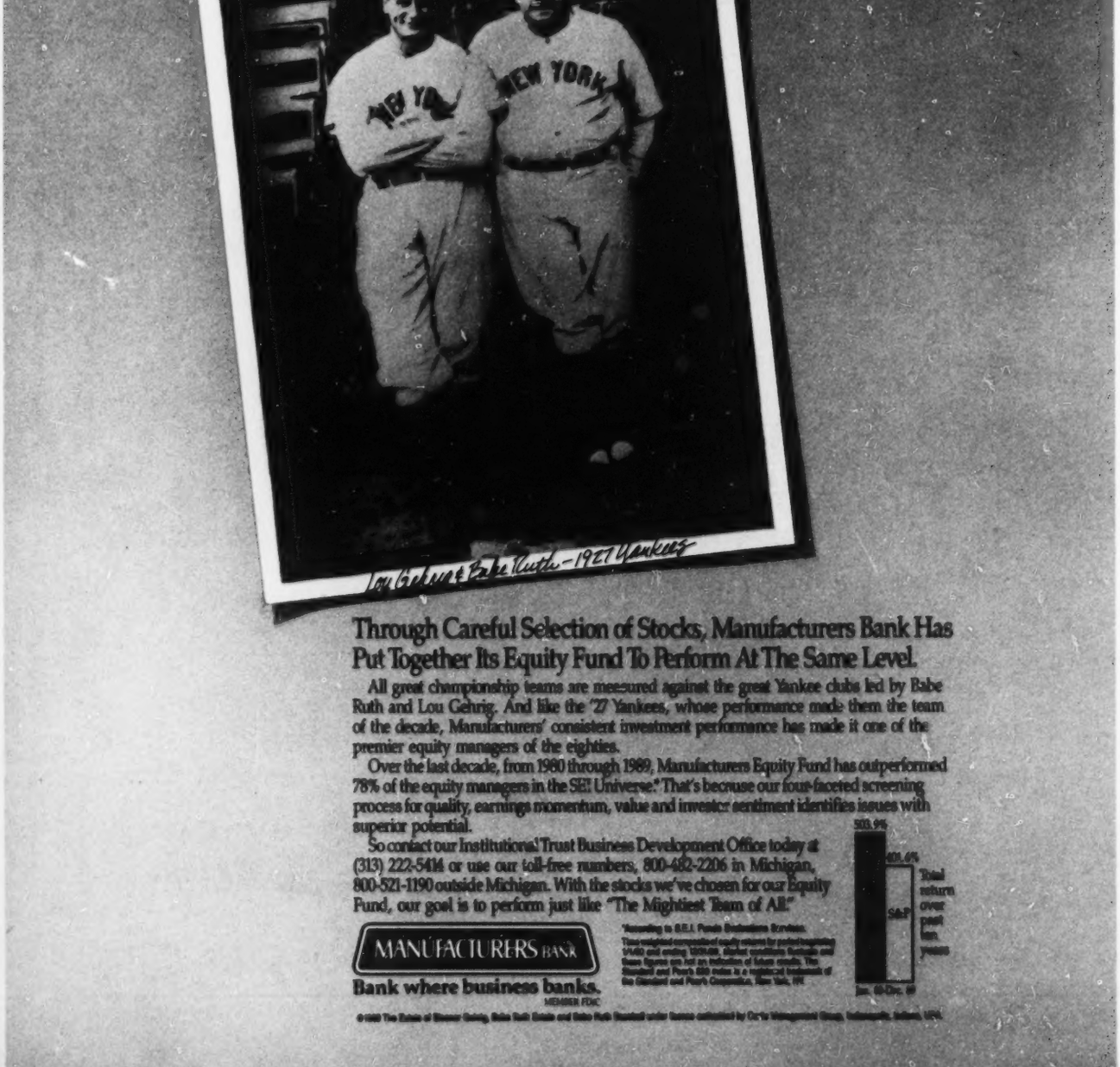
10-year returns

	%
Pacific Financial (Cap. appre.)	26.1
Sun Bank, Fla.	25.6
First Fidelity (Sel. value), N.J.	22.1
Pacific Financial (Divers. low p/e)	21.4
First Nat'l of Amarillo, Texas	21.1
Manufacturers Life, Ontario	21.1
Provident Mutual (SA 10), Pa.	21.0
United Capital Mgmt., Colo.	20.8
U.S. Nat'l Bank, Texas	20.5
Chancellor (Value), N.Y.	20.4
First NH Invst. (A)	20.3
Connecticut Mutual	20.3
First Interstate of Oklahoma	20.1
Manufacturers Affil. (Growth)	20.1
Manufacturers Detroit (E)	20.1
Union Labor Life (SA A), D.C.	20.0
American Nat'l Chicago (Active)	19.9
State Street Bank (CM02)	19.9
Guardian Insurance (VA 1), N.Y.	19.8
Lake Shore Nat'l, Ill.	19.7
The New England (Sep. cap. gro.)	19.6
Equitable Capital (No. 4), N.Y.	19.5
Wheeling Dollar Bank (B), W. Va.	19.3
Markston Invst. Mgmt, N.Y.	19.2
First Nat'l of Omaha (D), Neb.	19.1
Colorado Nat'l Bank	19.0
MTrust (Growth), Texas	19.0
Bank of New York	19.0
Provident Capital, Pa.	18.9
Assoc. Bank Neenah, Wis.	18.9
Massachusetts Mutual	18.8
Aliac (Variable/total)	18.7
Dominion Trust (Corp.), Va.	18.7
Dauphin Deposit (Corp.), Pa.	18.5
S&P 500	**17.7**

Top two deciles PIPER commingled fixed-income funds

3-month returns

	%
Mercantile Bank Joplin (F), Mo.	2.7
General American Life (SA 6), Mo.	2.3
Dominion Trust (Stable capital), Va.	2.2
IDS Trust (GIC), Minn.	2.2
SW Nat'l Bank of Pa.	2.1
Capital Trust (GIC), Ore.	2.1
Central Fidelity (Cap. pres.), Va.	2.1
IDS Trust (Cash mgmt.), Minn.	2.1
Hawaiian Trust (Defensive)	2.1
Signet Trust (Stable value), Va.	2.1
Commerce Bank (Cap. pres.), Mo.	2.1
First Interstate of Wisconsin	1.9
Dauphin Deposit (Short), Pa.	1.8
Chase-CMB (Short-inter.), N.Y.	1.4
Wilmington Trust, Del.	1.3
Connecticut Mutual (Basis)	1.3
American Nat'l Bank, Ind.	1.3
MTrust, Texas	1.3
Bankers Trust (Govt./agency), N.Y.	1.2
First Nat'l/Amarillo (Inter.), Texas	1.2
American Nat'l Bank, Ind.	1.1
Bank One Wisconsin (Inter.)	1.1
Ameritrust (Reserve.), Ohio	1.1
Central Fidelity Bank (Short), Va.	1.0
Mercantile Safe (Inter.), Md.	1.0
Crestar Bank (Short), Va.	1.0
New York Life (SA 5)	0.9
IAA Trust (Govt. G), Ill.	0.8
Jefferson Trust, Ill.	0.8
Trustmark Nat'l, Miss.	0.8
Michigan Nat'l	0.8
Continental Bancorp, Pa.	0.8
AmSouth (Ltd. mat.), Ala.	0.8
Security Nat'l Bank, W.Va.	0.8
Bankers Trust (B), N.Y.	0.8
Bank of the West, Calif.	0.8
Wellington Trust (Inter.), Mass.	0.7
Shawmut Bank (Inter.), Mass.	0.7
Gary Wheaton Bank, Ill.	0.6
First Interstate of Okla. (Inter.)	0.6
Valley Fidelity, Tenn.	0.6
Union Central, Ohio	0.6
American Nat'l Chicago (Inter. plus)	0.6
Pioneer Bank, Ill.	0.6
Prudential Realty (VCA 8), N.J.	0.5
Central Bank, La.	0.5
Security Nat'l Bank (II), W. Va.	0.5
Assoc. Bank Neenah, Wis.	0.4
Fifth Third Bank Toledo, Ohio	0.4
SLH G/C	**-1.1**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1-year returns

	%
Mercantile Bank Joplin (F), Mo.	19.9
Jefferson Trust, Ill.	14.3
First Nat'l/Amarillo, Texas	13.8
Bankers Trust (Mtg. pass), N.Y.	13.8
Equitable Capital (No. 5), N.Y.	13.7
SLH Trust (Dir. 5), Del.	13.6
Ameritrust (Rt. GNMA), Ohio	13.6
First Nat'l of Maryland	13.5
Bank of New England	13.2
Harris Trust, Ill.	13.1
Chancellor (Mtg. secur.)	12.9
Chase-CMB (Index), N.Y.	12.8
The Principal, Iowa	12.7
Bessemer Trust, N.Y.	12.7
LaSalle Nat'l (Govt. corp.), Ill.	12.7
Johnson County, Kan.	12.7
INB Nat'l Bank, Ind.	12.6
Fidelity Mgmt. (Dynamic mat.)	12.6
Chase-CMB (Sec. mtg.), N.Y.	12.6
First Wachovia, N.C.	12.5
Aetna Life (Shares/tot.), Conn.	12.5
Barnett Bank, Fla.	12.5
Old Second Nat'l (HR 10), Ill.	12.5
CoreStates Invst., Pa.	12.4
Citizens Fidelity (F), Ky.	12.4
Crestar Bank (Roanoke), Va.	12.4
Nat'l City Cleveland, Ohio	12.4
IAA Trust (B), Ill.	12.3
Midlantic, N.J.	12.3
Prudential Rg./Asset (BMI)	12.3
First Variable Life (H.Q.), Ark.	12.3
Union Labor Life (SA G), D.C.	12.3
Wellington Trust (Enhanced)	12.3
Liberty Nat'l, Ky.	12.2
American Nat'l Bank, Ind.	12.2
Crestar Bank (5821), Va.	12.2
New York Life (SA 8)	12.2
Boatmen's Trust (F), Mo.	12.2
LaSalle Nat'l (Inter. govt.), Ill.	12.2
First Nat'l of Omaha (C), Neb.	12.1
Mellon Bond, Pa.	12.1
Assoc. Manitowoc (High), Wis.	12.1
Sanwa Bank (C), Calif.	12.1
FirsTier Bank Omaha, Neb.	12.1
Aetna Life (SA 76), Conn.	12.1
American Nat'l St. Paul, Minn.	12.1
Key Trust Co. of NW, Wash.	12.1
Chancellor (Inter.)	12.0
Manufacturers Detroit (F)	12.0
SLH G/C	**11.7**

5-year returns

	%
Meridian-Pa., Del.	14.9
United Capital, Colo.	14.8
Equitable Capital (No. 5), N.Y.	14.6
Boatmen's Trust (F), Mo.	14.3
Transamerica Life (SA T-2), Calif.	14.2
Sunburst Bank, Miss.	13.9
Beverly Trust, Ill.	13.7
The Principal, Iowa	13.4
First Variable Life, Ark.	13.4
LaSalle Nat'l (Gov't/corp.), Ill.	13.2
First Nat'l of Amarillo, Texas	12.9
General American Life (SA 9), Mo.	12.8
Bankers Trust (Mtg. pass), N.Y.	12.8
Crown Life (U.S.), Ontario	12.7
IAA Trust (B), Ill.	12.7
Harris Trust, Ill.	12.6
Travelers Cos. (SA P), Conn.	12.6
Fidelity Mgmt. (Dynamic mat.)	12.6
Metropolitan Life (SA 41), N.Y.	12.6
Morgan Guaranty, N.Y.	12.6
ASB Capital, D.C.	12.5
Fidelity Bank, Pa.	12.5
Society Nat'l, Ohio	12.4
First Interstate of Calif. (Mgd.)	12.4
Pacific Financial, Calif.	12.4
First Kentucky Trust	12.4
Sovran Capital, Va.	12.3
Sanwa Bank (C), Calif.	12.3
Aetna Life (Shares/tot.), Conn.	12.3
First Interstate of Arizona	12.3
Crestar Bank (Roanoke), Va.	12.3
Manufacturers Life (B), Ontario	12.2
CoreStates Invst., Pa.	12.1
Johnson County Bank, Kan.	12.1
Prudential Rg./Asset (Privest)	12.1
First Wachovia, N.C.	12.0
Mutual of New York (Priv. place.)	12.0
Aetna Life (SA 76), Conn.	11.9
Bank of New England	11.9
CIGNA (Active), Conn.	11.9
Nat'l Bank of Commerce, Neb.	11.9
Bessemer Trust, N.Y.	11.9
Marine Midland, N.Y.	11.9
Comerica, Mich.	11.9
SLH G/C	**11.3**

10-year returns

	%
First Variable Life, Ark.	15.7

Continued on page 30

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Continued from page 28

Sovran Capital, Va.	14.9
United Capital Mgmt., Colo.	14.9
Beverly Trust, Ill.	14.8
Boatmen's Trust (F), Mo.	14.6
First Kentucky Trust	14.6
Life of Virginia	14.5
Meridian-Pa., Del.	14.4
Sanwa Bank (C), Calif.	14.3
ASB Capital Mgmt., D.C.	14.1
Pacific Financial, Calif.	14.1
Society Nat'l, Ohio	14.0
Crestar Bank (Roanoke), Va.	13.9
First Interstate of Calif. (Mgd.)	13.9
Mutual of New York (Priv. place.)	13.9
First Nat'l of Amarillo, Texas	13.8
IAA Trust (B), Ill.	13.8
Travelers Cos. (SA D), Conn.	13.8
Morgan Guaranty, N.Y.	13.8
Bankers Trust (A), N.Y.	13.7
Prudential Rg./Asset (Privest)	13.7
First Interstate of Arizona	13.7
CIGNA (Inter.), Conn.	13.7
First Wachovia, N.C.	13.6
Marine Midland, N.Y.	13.6
Johnson County Bank, Kan.	13.5
Aetna Life (Shares tot.), Conn.	13.4
First Nat'l of Maryland	13.4
Equitable Capital (No. 5), N.Y.	13.4
Central Fidelity Bank (Mgd.), Va.	13.4
Key Trust, N.Y.	13.3
State Street Bank (CM03)	13.3
SLH G/C	**13.1**

Top two deciles PIPER special equity funds

3-month returns

	%
Texas Commerce	5.4
Assoc. Bank Neenah (Cap. app.)	3.9
First City Houston (G-1), Texas	3.2
Equitable Capital (Growth 3), N.Y.	1.9
Princeton Bank (Em. gro.), N.J.	1.1
Deposit Guaranty (Opp.), Miss.	1.0
Liberty Nat'l (Growth), Ky.	0.6
Meridian (Quest), Pa.	0.5
First Asset Mgmt. (II), Minn.	0.0
SLH Trust (Growth 2), Del.	−0.2
SeaFirst (Northwest), Wash.	−0.3
BancOklahoma Trust	−0.3
Metropolitan Life (SA 43), N.Y.	−0.3
First Wachovia (Div. cap. gro.)	−0.5
Russell 2000	**−2.2**
S&P 500	**−3.0**

1-year returns

	%
Princeton Bank (Em. gro.), N.J.	36.5
Equitable Capital (Growth 3), N.Y.	32.9
Trust Co. of the West, Calif.	27.4
IDS Trust (Em. growth), Minn.	26.9
Lincoln Nat'l Invst. (Opp.), Ind.	24.5
Chancellor (Em. health), N.Y.	24.4
MTrust (Growth), Texas	22.6
SeaFirst (Northwest), Wash.	22.2
First Wisconsin Asset (Growth B)	22.2
Comerica, Mich.	21.8
Texas Commerce	21.0
Meridian (Quest), Pa.	20.3
Crestar Bank, Va.	19.8
Puget Sound (Win), Wash.	19.5
S&P 500	**19.2**
Russell 2000	**5.5**

5-year returns

	%
SLH Trust (Growth 2), Del.	28.9
SLH Trust (New values 3), Del.	27.9
Pacific Financial (Sm. cap.)	26.5
Assoc. Bank Neenah (Reg.), Wis.	20.5
Meridian (Quest), Pa.	19.8
Putnam (Growth), Mass.	19.5
Chase-CMB (Med. cap.), N.Y.	19.5
Equitable Capital (Tang. asset)	18.8
Trust Co./West, Calif.	18.0
SLH Trust (Small cap. 5), Del.	18.0
S&P 500	**17.5**
Russell 2000	**9.5**

10-year returns

	%
Provident Capital, Pa.	21.9
MTrust (Growth), Texas	20.6
First Asset Mgmt. (II), Minn.	20.3
First Wisconsin Asset (Growth B)	20.1
S&P 500	**17.7**
Russell 2000	**15.8**

PIPER commingled international funds

3-month returns

	%
PCM Int'l (Global yield), N.J.	3.6
CIGNA (Eq.), Conn.	1.1
IDS Int'l (Eq.), Minn.	0.8
NCNB Nat'l (Stock), N.C.	−0.7
Wellington Trust (Emerg. stock)	−0.9
Fidelity Mgmt. (Overseas eq.)	−1.1
Citicorp (Fixed), N.Y.	−1.3
Morgan Guaranty (Bond), N.Y.	−1.5
Travelers Cos. (SA W), Conn.	−2.3
IAA Trust (CTF-I), Ill.	−3.5
Wellington Trust (Stock)	−3.7
PCM Int'l (Global bond), N.J.	−3.8
Assoc. Bank Neenah (World)	−3.8
Putnam Cos. (Eq.), Mass.	−4.0
CL Capital Mgmt. (Stock), Ga.	−4.0
The Principal (Stock), Iowa	−4.3
PCM Int'l (Print 2 eq.), N.J.	−5.6
Chase-CMB (Fixed), N.Y.	−5.9
Wilmington Trust (Eq.), Del.	−5.9

Continued on page 32

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Continued from page 30

MTrust (Bond), Texas	–6.2
Bessemer Trust (E), N.Y.	–6.4
U.S. Trust, N.Y.	–6.7
Trust Co./West (Global), Calif.	–7.4
Citicorp (Eq.), N.Y.	–8.4
Marine Midland (Eq.), N.Y.	–9.1
Bankers Trust (Eq.), N.Y.	–9.1
Provident Capital (Low p/e),Pa.	–9.3
Union Bank (Eq.), Calif.	–9.7
Chase-CMB (EAFE index)	–10.4
Aetna Life (SA 134), Conn.	–12.5
Morgan Guaranty (Eq.), N.Y.	–12.7
Wellington Trust (Pacific Basin)	–14.0
MSCI World	**–14.2**
FTA World	**–14.3**
Chase-CMB (Eq.)	–15.5
MTrust (Eq.), Texas	–15.8
Bankers Trust (EAFE index)	–19.0
Prudential (Equity index), N.J.	–19.4
American Nat'l Chicago (Eq.)	–19.7
State Street Bank (Index)	–19.7
MSCI EAFE	**–19.7**
FTA Europe & Pacific	**–19.9**
Travelers Cos. (TIIF), Conn.	–20.1
Wells Fargo (Eq. index), Calif.	–20.1

1-year returns

	%
CIGNA (Eq.), Conn.	30.5
CL Capital (Stock), Ga.	22.9
Wellington Trust (Emerg. stock)	22.7
NCNB Nat'l (Stock), N.C.	20.9
IDS Int'l (Eq.), Minn.	19.1
Travelers Cos. (SA W), Conn.	18.4
Putnam (Eq.), Mass.	18.2
Bessemer Trust (E), N.Y.	15.5
The Principal (Stock), Iowa	15.1
U.S. Trust, N.Y.	14.9
Wilmington Trust (Eq.), Del.	14.5
Trust Co./West (Global)	13.9
Fidelity Mgmt. (Overseas eq.)	13.5
Wellington Trust (Stock), Mass.	13.2
Provident Capital (Low p/e), Pa.	11.7
PCM Int'l (Global yield), N.J.	11.5
Bankers Trust (Eq.), N.Y.	11.5
Assoc. Bank Neenah (World)	11.2
PCM Int'l (Print 2 eq.), N.J.	10.6
Citicorp (Fixed), N.Y.	9.9
PCM Int'l (Global bond), N.J.	9.1
IAA Trust (CTF-I), Ill.	8.2
Marine Midland (Eq.), N.Y.	4.4
Aetna Life (SA 134), Conn.	4.4
Union Bank (Eq.), Calif.	3.7
Morgan Guaranty (Bond), N.Y.	3.1
Morgan Guaranty (Eq.), N.Y.	2.9
Citicorp (Eq.), N.Y.	2.8
MTrust (Bond), Texas	–0.6
Chase-CMB (EAFE index)	–1.4
FTA World	**–1.6**
MSCI World	**–1.8**
Chase-CMB (Fixed)	–3.0
MTrust (Eq.), Texas	–4.0
Chase-CMB (Eq.)	–4.4
Wellington Trust (Pacific Basin)	–7.6
Bankers Trust (EAFE index)	–10.1
Prudential (Index), N.J.	–10.7
American Nat'l Chicago (Eq.)	–11.1
FTA Europe & Pacific	**–11.1**
State Street Bank (Index)	–11.2
Travelers Cos. (TIIF), Conn.	–11.3
MSCI EAFE	**–11.4**
Wells Fargo (Index), Calif.	–11.7

5-year returns

	%
CIGNA (Eq.), Conn.	33.1
Fidelity Mgmt. (Overseas eq.)	33.0
Bessemer Trust (E), N.Y.	31.9
Chase-CMB (EAFE index)	31.6
Bankers Trust (Eq.), N.Y.	30.9
NCNB Nat'l (Stock), N.C.	28.6
American Nat'l Chicago (Eq.)	28.3
FTA Europe & Pacific	**28.3**
MSCI EAFE	**28.3**
Putnam (Eq.), Mass.	28.0
IDS Int'l (Eq.), Minn.	27.9
State Stree Bank (Index)	27.9
Wells Fargo (Index), Calif.	27.6
U.S. Trust, N.Y.	27.3
Citicorp (Eq.), N.Y.	27.2
Marine Midland (Eq.), N.Y.	27.0
Wellington Trust (Stock)	26.9
Aetna Life (SA 134), Conn.	26.7
Chase-CMB (Eq.)	26.7
Wellington Trust (Pacific Basin)	25.8
Union Bank (Eq.), Calif.	25.5
Travelers Cos. (SA W), Conn.	24.9
Morgan Guaranty (Eq.), N.Y.	24.4
PCM Int'l (Global bond), N.J.	24.1
FTA World	**22.1**
MSCI World	**21.9**
Chase-CMB (Fixed), N.Y.	19.3
Citicorp (Fixed), N.Y.	19.1
Morgan Guaranty (Bond), N.Y.	18.1

10-year returns

	%
Bankers Trust (Eq.), N.Y.	22.6
Putnam (Eq.), Mass.	21.5
U.S. Trust, N.Y.	21.1
MSCI EAFE	**20.9**
American Nat'l Chicago (Eq.)	20.3
Citicorp (Eq.), N.Y.	19.0
MSCI World	**18.7**
Morgan Guaranty (Bond), N.Y.	18.3

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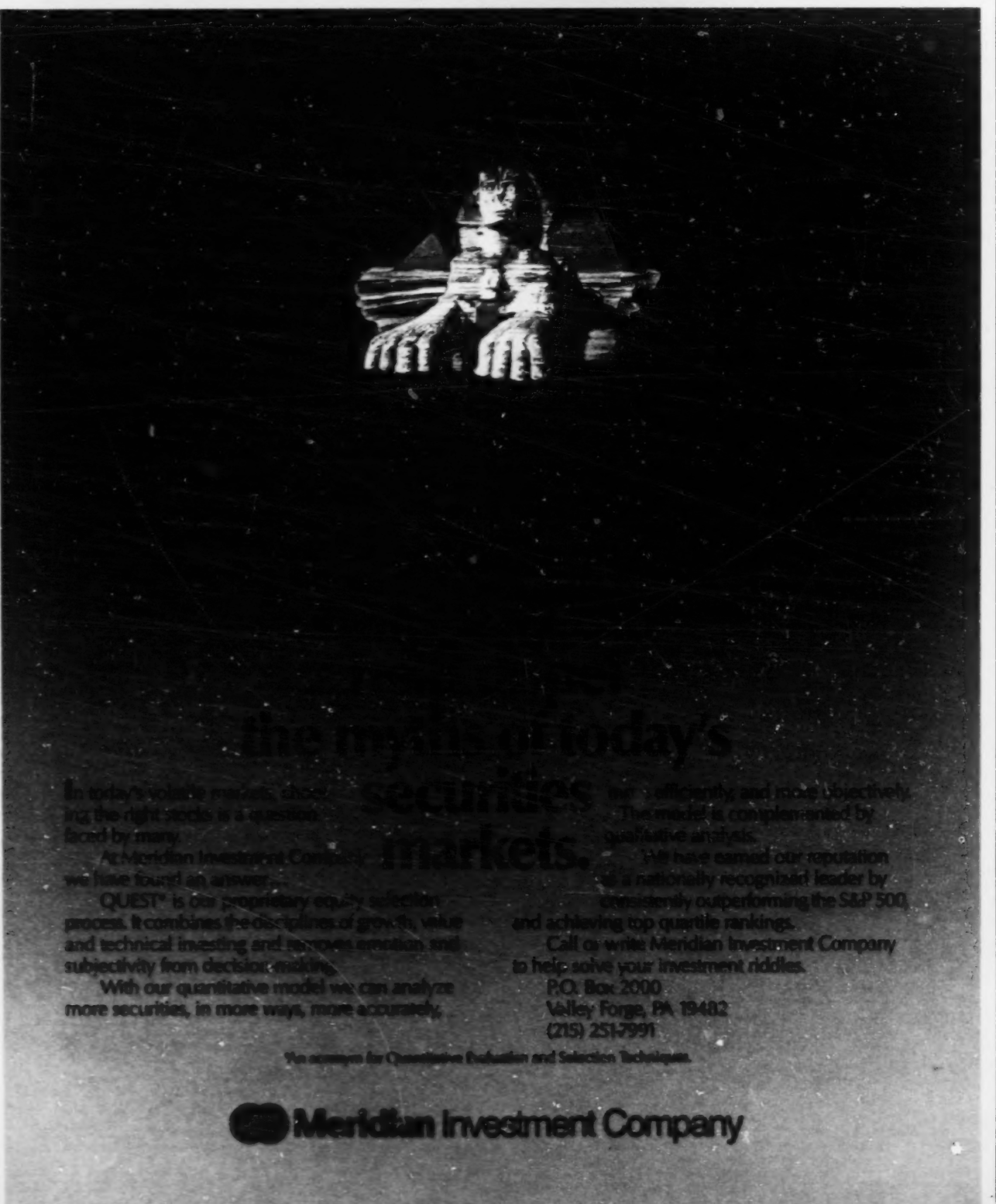
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Few CFOs cracking the million-dollar mark

By Marcia Parker
and Marlene Givant Star

Gary Wilson, the former chief financial officer of The Walt Disney Co., earned $2.5 million in 1989, making him the highest paid top financial executive of more than 1,000 public companies sampled by *Pensions & Investments*.

Mr. Wilson, the financial wizard who since has left Disney to become a part-owner of Northwest Airlines, earned $500,000 in salary, a fifth of his total earnings. The $2.5 million total includes $500,000 of deferred cash compensation and a $1.5 million cash bonus.

Multimillion-dollar chief financial officers are unusual. Two of them — Mr. Wilson and Rufus Lumfry, a founder of McCaw Cellular Communications Inc. — supplemented their "paltry" salaries with dizzying extras amounting to $47,488,000 and $14,472,000 respectively. Both Mr. Wilson and Mr. Lumfry, whose salary amounted to $271,519, reaped the mind-boggling rewards by exercising stock options.

Only a few chief financial officers had salaries alone that put them over the million-dollar mark in 1989. They include F.C. Blodgett of General Mills Inc., who earned $1,069,402; M. Cabell Woodward of ITT Corp., who made $1,040,816; and Douglas McCorkindale of Gannett Co. Inc., who earned $1,020,000.

W. Bruce Thomas of USX Corp. and Ronald Arnault of Atlantic Richfield Co. were runners-up, earning $968,000 and $954,400 respectively. In 1988, Mr. Thomas earned $897,895 and Mr. Arnault, $843,222. Mr. Woodward was one of two executives who cracked the million-dollar salary level in '88.

The compensation paid to more than 150 chief financial officers and chief executives of the country's leading industrial and financial service companies is highlighted in the accompanying table. Data for the survey came from the companies' 1990 proxy statements.

Salaries inciude base pay and annual bonus but exclude other long-term compensation. Whenever the long-term incentive pay was provided alongside salaries in the proxies, it was listed separately under "other" in the table. Not all companies broke it down there, however, and not all chief financial officers are among the top five executives whose compensation is reported in proxies.

This year's survey represents the first time a chief financial officer tracked by *P&I* earned more than $2 million. In 1988's survey, only two chief financial officers

See **Salaries** *on page 37*

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Although CFOs are gaining in corporate stature, compensation among them as a group is disparate. John Pope of UAL, left, earned $362,000 in salary in 1989; Maria Monet of Ogden Corp. earned $375,000. Two who broke the million-dollar mark were Douglas McCorkindale of Gannett, who earned $1.02 million, and M. Cabell Woodward Jr. of ITT, who earned $1.04 million.

Where they stand on the pay scale

Company	Top financial officer / salary / other compensation	Chief executive / salary / other compensation
Aerospace		
Boeing	H.W. Haynes / $641,782	Frank Shrontz / $910,250
United Technologies	John Rolls / $375,000 / $245,000	Robert Daniels / $730,000 / $550,000
Airlines		
AMR	Donald Carty / $322,917	Robert Crandall / $566,666
UAL	John Pope / $362,500 / $280,000	Stephen Wolf / $575,000 / $575,000
Automotive		
Chrysler	R.S. Miller / $302,995	Lee Iacocca / $889,151
Cummins Engine	Peter Hamilton / $255,844	Henry Schact / $528,254
Building		
USG	Eugene Miller / $266,667	Robert Day / $587,500 / $187,860
PPG Industries	Raymond LeBoeuf / $210,833 / $120,800	Vincent Sarni / $575,000 / $520,000
Sherwin-Williams	T.R. Mildich / $348,717	J.G. Breen / $982,643
Chemicals		
Arco Chemical	William Magee / $744,106	Harold Sorgenti / $789,380
Dow Chemical	Enrique Falla / $445,655	Frank Popoff / $962,747
Church & Dwight	Anthony Deasey / $163,942 / $126,044	Dwight Minton / $365,777 / $305,530
Englehard	R. Keith Elliott / $565,578	Orin Smith / $967,431
Hercules	Arden Engebretsen / $355,500	David Hollingsworth / $544,245
Lubrizol	W.T. Beargie / $292,450	L.E. Coleman / $622,208
Olin	C.R. Tully / $350,004	J.W. Johnstone / $894,153
Communications		
Centel	Eugene Irminger / $302,875	John Frazer / $672,500
Contel	Malcolm Holmes / $284,442 / $224,980	Charles Wohlstetter / $890,846 / $642,000
GTE	Nicholas Trivisonno / $565,054	James Johnson / $1,410,503
McCaw Cellular	Rufus Lumfry / $271,519	Craig McCaw / $288,756
MCI Communications	Daniel Akerson / $446,276	William McCowan / $1,325,000
NYNEX	Robert Eckenrode / $330,700 / $173,000	Delbert Staley / $511,500 / $650,000
Pacific Telesis	J.E. Hulse / $379,167 / $227,900	S. Ginn / $527,708 / $392,200
SNET	Daniel Miglio / $255,208	Walter Monteith / $527,980
Southwestern Bell	Robert Pope / $483,600 / $397,500	Zane Barnes / $929,200 / $661,500
United Telecommunications	Arthur Krause / $356,439	William Esrey / $1,129,842
U S WEST	Howard Doerr / $350,000 / $129,500	Jack MacAllister / $800,000 / $510,000
Computers		
Cray Research	John Carlson / $295,207	John Rollwagen / $420,291
IBM	F.A. Metz / $677,775	J.F. Akers / $1,420,713
Consumer products		
Borden	Lawrence Doza / $307,000	R.J. Ventres / $1,480,500
Colgate-Palmolive	Robert Agate / $375,758	Reuben Mark / $1,406,560
General Mills	F.C. Blodgett / $1,069,402	H.B. Atwater / $1,431,382
International Flavors	John Winandy / $258,432 / $125,000	Eugene Grisanti / $440,000 / $220,000
Reebok	Paul Duncan / $298,558 / $300,000	Paul Fireman / $357,200 / $14,249,000
Stride Rite	John Phelan / $195,000 / $273,852	Arnold Hiatt / $400,000 / $764,308
Whirlpool	James Samartini / $428,280	David R. Whitwam / $1,030,000
Containers/packaging		
Stone Container	Arnold Brookstone / $553,839	Roger Stone / $1,378,706
Cosmetics/personal care		
Avon Products	Edward Robinson / $436,974	James Preston / $843,932
Defense		
Grumman	Robert Freese / $280,000 / $186,680	John O'Brien / $564,375 / $308,518
Lockheed	V.N. Marsiino / $863,348	D.M. Tellep / $763,943
Litton Industries	Joseph Casey / $713,198	Orion Hoch / $1,110,099
McDonnell Douglas	J.G. Brown / $377,882	J.F. McDonnell / $634,438
Northrop	John Campbell / $261,218	Thomas Jones / $795,721
Textron	Dennis Little / $318,740	B.F. Dolan / $2,318,875
Electrical equipment/electronics		
AMP	Benjamin Savidge / $298,214	Harold McInnes / $470,481
Cooper Industries	Dewain Cross / $419,864	Robert Cizik / $1,256,741
Honeywell	Christopher Steffen / $488,737	James Renier / $1,388,185
General Signal	Stephen Negy / $240,00 / $115,200	Edmund Carpenter / $662,400 / $453,000
Entertainment		
MGM Grand	Joseph Murphy / $168,310	Fred Benninger / $410,000
Walt Disney	Gary Wilson / $500,000 / $2,000,000	Michael Eisner / $750,000 / $8,829,360
Financial services		
American Int'l Group	Edward Matthews / $440,000	M.R. Greenberg / $1,570,000
BankAmerica	F.N. Newman / $845,833	A.W. Clausen / $1,737,500
Bank of New York	Dana Papageorge / $530,704 / $98,595	J. Carter Bacot / $1,168,327
Berkshire Hathaway	J. Verne McKenzie / $235,000	Warren Buffett / $100,000
CIGNA	James Stewart / $705,000	Wilson Taylor / $1,163,009
Continental Bank	Hallie Rademacher / $391,500 / $60,000	Thomas Theobold / $2,699,671 / $2,413,000
Crestar Financial	Patrick Stein / $340,000	Richard Tilghman / $809,000
Fleet/Norstar	John Flynn / $681,000	Terrence Murray / $1,527,000
General Re Insurance	Ronald Anderson / $348,840	Ronald Ferguson / $1,301,167
Kemper	Walter White / $182,000	Joseph Lacobo / $650,000

Financial services continued on page 38

A place in the sun

Financial officers move up on peer scale

By Leonard J. Hollie

The chief financial officer continues to grow in importance and is now paid on par with top management operating and line positions in many companies, according to a new compensation study.

"We have found over the past four to five years that this job has taken on more importance and that is reflected in its pay," said Michael Halloran, vice president, TPF&C, Valhalla, N.Y., who wrote the study. "It is the only executive salary that has been keeping pace with the escalating salaries of chief executive officers."

Executive recruiters said their searches for chief financial officers for various companies show corporations are seeking people with both management experience and a financial background as well as with international experience.

"The one issue is finding a CFO with line management experience, such as president of a subsidiary or a division manager. That is a hard combination to find," said Gordon Grand, managing director of Russell Reynolds Associates Inc., New York, an executive recruiting firm.

The TPF&C report surveyed 325 companies. Industrial/service companies in the survey had median revenue of $4 billion and financial organizations had median assets of $30 billion.

In 1989, chief financial officers had a median annual compensation (base salary plus bonus) of $477,000, with a high of $2.5 million and a low of $96,000, Mr. Halloran said.

"There is less emphasis on fixed compensation and more on variable forms of compensation, such as incentive bonuses and stock option plans," said Thomas S. Tilghman, director of compensation for the executive recruiting firm of Arthur Young & Associates, New York.

The TPF&C study found the median gain in 1989 from stock option exercises for chief financial officers was $244,000, with a high of $47.5 million.

Growth in total direct compensation advanced to 10.3% in 1989 from 7.7% in 1988, with the increase due to higher stock options gains, the report stated.

The total median direct compensation for CFOs in 1989, including base salary, bonus and long-term incentives, was $473,000, with a high of $50 million and a low of $96,000.

Growth in total annual compensation, however, slowed to 7.8% in 1989 from 9.8% in 1988, the report said.

Executive recruiters agree the chief financial officer's job continues to increase in importance.

"There has been a marked increase in the number of positions in a company that report directly to the CFO, such as controllers, treasurers, assistant treasurers, and vice president of internal auditing," said Vincent Brennan, vice president, Korn Ferry International, New York, an executive recruitment firm.

"CFOs are getting better trained people who can be creative and who have more ability to do some of the many tasks that are being vacated by the CFO as he takes on more responsibility in the corporation," he said.

The study found more financial officers are on their company's board of directors, 35% in 1989 vs. 30% five years earlier. ■

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Financial services *continued from page 35*

Norwest	John T. Thornton / $216,000 / $127,302	Lloyd Johnson / $649,583 / $641,697
NWNL	John Flittie / $221,336 / $74,647	John Pearson / $424,191 / $189,281
T. Rowe Price	George Roche / $230,000 / $500,000	George Collins / $265,000 / $500,000
Primerica	James Dimon / $660,000	Sanford I. Weill / $1,536,318
State Street	David Spina / $472,815	William Edgerly / $828,816
Travelers	Thomas Thorsen / $664,808	Edward Budd / $950,000
Food/beverage		
Hershey Foods	M.F. Pasquale / $200,000 / $90,902	R.A. Zimmerman / $500,000 / $305,209
Kellogg	C.W. Elliott / $372,000	W.E. LaMothe / $1,070,000
PepsiCo	Robert Dettmer / $587,582	D. Wayne Calloway / $1,505,096
Tootsie Roll Industries	Frederick Kushnir / $181,048	Melvin Gordon / $582,520
Health/health services		
Abbott Labs	D.L. Burnham / $850,472	R.A. Schoellhorn / $1,608,300
Baxter Int'l	Robert Lambrix / $493,671	Vernon Loucks / $1,460,515
Bausch & Lomb	Stephen Kelbey / $366,915	Daniel Gill / $1,273,491
Pfizer	Jean-Paul Valles / $559,000	Edmund Pratt / $1,435,200
Warner-Lambert	Robert Dircks / $538,417	Joseph Williams / $1,505,000
Lodging		
Hilton Hotels	Maurice Scanlon / $392,995	Barron Hilton / $967,274
Lumber		
Georgia-Pacific	James Van Meter / $575,000 / $26,673	T. Marshall Hahn / $1,700,000 / $69,666
Louisiana-Pacific	John Hart / $275,000	Harry Merlo / $575,000
Weyerhaeuser	Robert Schuyler / $450,000	George Weyerhaeuser / $1,060,000
Manufacturing		
Hartmarx	Jerome Dorf / $261,000	Harvey Weinberg / $536,000
Ingersoll-Rand	C.H. Folley / $818,350	T.H. Black / $1,103,183
Sundstrand	Paul Donovan / $230,000	Harry Stonecipher / $550,000
Stanley Works	R.A. Hunter / $340,320	R.H. Ayers / $792,731
Metals/mining		
Armco	W.B. Askins / $460,417	R.E. Boni / $614,010
Asarco	Francis McCallister / $247,749 / $166,000	R. Osborne / $533,333 / $525,000
AMAX	Stephen Knup / $256,167 / $160,000	Allen Born / $685,000 / $500,000
Phelps Dodge	Patrick J. Ryan / $246,800 / $185,000	Douglas Yearley / $411,236 / $425,000
Pittston	D.L. Marshall / $460,000	P.W. Douglas / $875,000
Multi-industry		
ITT	M. Cabell Woodward Jr. / $1,040,816	Rand Araskog / $2,387,562
Tenneco	Robert T. Blakely / $521,382 / $36,210 (del.)	J.L. Ketelsen / $1,436,473 / $199,663
TRW	S.E. Frank / $445,000	J.T. Gorman / $1,060,000
Chris-Craft	Laurence Kashdin / $170,000 / $580,000	Herbert J. Siegel / $750,933 / $12,936,290
Oil/gas		
ARCO	Ronald Arnault / $954,417	Lodwrick Cook / $1,930,346
Baker Hughes	Max Lukens / $249,529 / $140,470	James Woods / $602,926 / $504,882
Coastal	David Arledge / $512,088	O.S. Wyatt / $1,252,000
Columbia Gas	Robert Oswald / $253,767 / $87,400	John Croom / $545,000 / $190,800
Consolidated Natural Gas	Lester Johnson / $248,700	George Davidson / $520,000
Enron	Jack Tompkins / $406,135	Kenneth Lay / $1,385,443
Enserch	S.R. Singer / $343,583	W.C. McCord / $744,000
Kerr-McGee	John Linehan / $320,535	F.A. McPherson / $777,117
Louisiana Land & Explor.	Richard Bachmann / $401,539	H. Leighton Steward / $663,789
Panhandle Eastern	C.E. Lasseter / $258,068	R.D. Hunsucker / $358,285
Schlumberger	A. Lindenauer / $510,000	D.E. Baird / $1,140,000
Texaco	Allen Krowe / $810,360	Alfred DeCrane / $1,464,857
Unocal	Claude S. Brinegar / $652,107	Richard J. Stegemeier / $1,084,789
Paper		
Bowater	R.D. McDonagh / $351,999	A.P. Gammie / $480,000 / $203,040
Publishing/broadcasting		
Capital Cities/ABC	Ronald Doerfler / $743,000 / $105,032	Thomas Murphy / $958,000 / $131,132
Gannett	Doug McCorkindale / $1,020,000	John Curley / $1,281,250
Knight-Ridder	Robert Singleton / $367,461	James Batten / $677,992
McClatchy Newspapers	James Smith / $179,540 / $37,928	Erwin Potts / $356,255 / $85,000
McGraw-Hill	Robert Bahash / $345,138 / $64,583	Joseph Dionne / $971,210 / $288,081
Retail		
J.C. Penney	R.E. Northam / $430,862 / $115,819	W.R. Howell / $1,089,416 / $322,007
Melville	Robert Huth / $819,300	Stanley Goldstein / $1,180,300
VF	G.G. Johnson / $410,000	L.R. Pugh / $1,085,000
Rubber/plastics		
Goodyear	Oren Shaffer / $330,000 / $100,964	Tom Barrett / $750,00 / $204,814
Services		
Ashton-Tate	George Farinsky / $289,687	Edward Esber / $484,956
Control Data	John Buckner / $287,008	Lawrence Perlman / $857,790
Ecolab	Michael Shannon / $335,000	Pierson Grieve / $487,500
Ogden	Maria Monet / $375,000 / $358,617	Ralph Ablon / $2,000,000 / $284,240
Pitney Bowes	Carmine Adimando / $378,946	George Harvey / $862,688
Steel		
Bethlehem Steel	Gary Millenbruch / $280,000	Walter Williams / $540,000
USX	W. Bruce Thomas / $583,001 / $385,000	Charles Corry / $896,599 / $650,000
Tobacco		
American Brands	Arnold Henson / $586,050 / $166,050	William Alley / $1,171,189 / $371,159
Tools		
Timken	J. Kevin Ramsey / $318,764	Joseph Toot / $595,865
Snap-on Tools	Lowell Larson / $235,527	Marion Gregory / $548,123
Transportation		
Burlington Northern	P.Jackson Bell / $218,750 / $250,000	Gerald Grinstein / $870,000 / $780,100
Consolidated Freightways	Norman Banks / $253,232	Lary Scott / $468,232
Conrail	H. William Brown / $205,538	James Hagen / $305,044
GATX	John Chlebowski / $191,958 / $95,728	James Glasser / $496,829 / $320,152
Exxon	S.R. Hardis / $861,059	J.R. Stover / $1,149,715
Ryder Systems	Edwin Huston / $403,458	M. Anthony Burns / $743,583
Norfolk Southern	John Turbyfill/ $403,458 / $270,000	Arnold McKinnon / $741,766 / $497,500
Santa Fe Pacific	Orval Adam / $310,000 / $248,000	Robert Krebs / $800,000 / $313,860
Utilities		
Commonwealth Energy	Russell D. Wright / $115,930 / $10,859	Gerald Anderson / $278,855 / $10,859
Consolidated Edison/N.Y.	Raymond McCann / $272,917 / $108,770	Arthur Hauspurg / $586,667 / $221,579
LILCO	George Sideris / $165,000 / $96,000	William Catacosinos / $366,000 / $298,000
Philadelphia Electric	Richard Gilmore / $294,979	Joseph Paquette / $621,651
SCE	John Bryson / $270,000 / $148,500	Howard Allen / $585,000 / $380,300
Sonat	J. Robert Doody / $470,000	Ronald Kuehn / $847,500
Transco Energy	Jim Wise / $396,593 / $34,783	George Slocum / $685,917 / $91,357
Waste management		
Waste Management	Donald Flynn / $350,000 / $343,700	Dean Buntrock / $900,000 / $586,800

ROSA new kid on the block

Securitized European bank loans looking for U.S. investors

By Marcia Parker

LONDON — ROSA is here.

The acronym puts a pretty face on the jargon-afflicted name of new asset-backed securities backed by bank loans to U.S. corporations underwritten by Nomura International Ltd., London.

Nearly $800 million of the new restructured obligations backed by senior assets are being pitched to institutional investors mainly in Europe. Because the offering is being registered in the United States, American investors will have an opportunity to purchase the securities through the private placement market.

These Eurobonds are the first managed portfolio of bank loans. Assets are overseen by Nomura Securities International Inc., New York, which subcontracted the portfolio advisory role to Chancellor Capital Management, New York, which established a separate subsidiary, Senior Secured Management Inc. Chancellor Capital manages nearly $19 billion, largely for institutional investors.

An official at Chancellor Capital, said institutional investors are becoming more interested in investing in asset-backed securities. Although Chancellor Capital won't buy any of the securities for its own clients because it could pose a conflict of interests, he said his firm, like others, is talking with clients about investing in senior secured bank loans. "I think (bank-backed debt) will continue to be a growing part of the market," he said.

This is also the first publicly issued senior/subordinated security backed by bank loans to rely solely on excess cash flow and a reserve account to cover losses sustained by the ROSA portfolio. Ordinarily the package is are supported by surety bonds.

An executive at Nomura Securities said institutional investors on the Continent, Asia and the Mideast have purchased some of the securities. He said the buyers were attracted by the high yields and the fact that the assets are senior secured bank debt. "More traditional buyers are getting involved in buying bank loans directly, such as insurance companies and pension funds." He said other institutional investors that do not have the resources to prepare in-house analysis and handle monitoring are attracted to securitized loan packages.

Bank loans of all kinds increasingly are being securitized — from leveraged buy-out loans to home equity loans — and packaged for sale by investment and commercial banks scouting for as yet untapped assets. So far, only about a few transactions have been done involving corporate debt.

Financial institutions look more to funding assets off their balance sheets. By securitizing these assets, banks get the loans off their books and make some money in the process while investment bankers earn underwriting fees at a time when their traditional bread-and-butter business, corporate debt and equity offerings, has slowed.

To date, more than $70 billion of asset-backed securities have been offered, backed by credit card receivables and loans for automobiles, trucks, boats, mobile homes, equipment leases and other types of assets. Asset-backed securities are growing in popularity among institutional investors.

ROSA, which is also the name of the issuer of the Eurobonds, is a $1 billion Netherlands-based firm created by Nomura. ROSA will issue three classes of floating-rate notes: $300,000 senior notes, $500,000 senior subordinated notes and $200,000 income notes. The proceeds will be used to buy a portfolio of 30 to 50 commercial and industrial senior-term bank loans to U.S. companies originated by various banks. The average size of the loans will be $20 million to $25 million, with a range from $10 million to $40 million. The portfolio concentrations in a single company will be limited to 4% and in a single industry to 8%. ROSA can invest up to 100% of its portfolio in loan participations. There are limits on how many loans come from any given bank.

Moody's Investors Service, New York, is satisfied ROSA's structure can withstand defaults of up to 43% of its collateral.

The senior Eurobonds are over-collateralized by $500 million in senior subordinated notes, $200 million in equity notes, a 75 basis point reserve fund and recoveries from defaulted bank loans. Repayment on the senior subordinated Eurobonds is supported by the cash flows from the equity tranche and bank loan recoveries and by the interest reserve account, according to Moody's.

Moody's rated the senior Eurobonds Aaa and the senior subordinated bonds A3; the income notes were not rated. It is the first Aaa class in a senior/subordinated collateralized loan obligation, according to the rating agency.

Principal will be reinvested in new loans during the first seven years of ROSA if certain trading tests are met, although Nomura doesn't anticipate active portfolio trading. The notes are paid interest only during the reinvestment period. That will end no later than March 10, 1997, when amortization of the notes starts. ROSA intends to retire the notes by March 10, 1998.

Payment of interest and principal on ROSA's Eurobonds is not subject to Dutch or U.S. withholding taxes because of tax treaties between the two countries. ■

Divested portfolios miss mark

A majority of South Africa-free portfolios underperformed market indexes and unrestricted portfolios in the fourth quarter.

The median equity-plus-cash portfolio in Brian Rom Corp.'s South Africa-free universe was down 1.1% in the last quarter of 1989; the median equity-only portfolio was up 0.1%.

The Standard & Poor's 500 Stock Index was up 2.1% and a South Africa-free version of the index gained 1.4%. Among unrestricted portfolios in the Wilshire Cooperative Universe, the median equity-plus-cash return was 1.1% and the median equity-only return was 1%.

The numbers indicate that over longer time periods, underperformance may be associated with divestiture of South Africa-related securities, because divestiture decreases the universe of stocks eligible for investment, said Brian Rom, president of the consulting firm.

But investors seeking South Africa-free managers would do well to look how those managers' South Africa-free portfolios compare to their unrestricted portfolios and to see if the managers' performance is attributable to something else in their investment process besides divestiture, he said.

The top South Africa-free equity-plus-cash manager for the quarter was Nicholas-Applegate Capital Management, San Diego, with 2.6%. Oppenheimer Capital Corp., New York, was second with 2.3%.

Thompson, Siegel & Walmsley Inc., Richmond, Va., managed the top equity-only portfolio at 3.8%; First Asset Management, Minneapolis, was second with 3.2%.

For the full year 1989, the median South Africa-free equity-plus-cash portfolio returned 24.7% and the median equity-only portfolio had 25.5%. The S&P 500 returned 31.5%, the South Africa-free version of the index had 30.7%. The Wilshire Cooperative medians were 26% (equity plus cash) and 29.7% (equity only).

Provident Investment Counsel, Pasadena, Calif., had the top South Africa-free equity-plus-cash portfolio for the year, returning 45.5%, and Columbus Circle Investors, Stamford, Conn., was second with 39.7%.

Harbor Capital Management, Boston, had the top equity-only portfolio, returning 34%, and First Asset Management was second with 32.5%.

For the five years ended Dec. 31, the median South Africa-free equity-plus-cash portfolio returned 19.1% on a compound annual basis. The S&P 500 returned 20.4% and the South Africa-free index, 18.9%. The median unrestricted portfolio had 18.6%.

The median equity-only South Africa-free portfolio returned 19.4% and the median unrestricted one, 20.2%.

The top South Africa-free manager on an equity-plus-cash basis was Ariel Capital Management Inc., Chicago, 28.6%.

The top equity-only portfolio was run by United States Trust Co. of Boston, with a 20.4% return.

Brian Rom Corp.'s South Africa-free universe is made up of 49 equity-plus-cash managers with $9.4 billion in assets and 22 equity-only managers with $2.2 billion. ■

Salaries

Continued from page 35

earned $1 million or more.

The group of top-earning chief financial officers spans a variety of industries and, in some cases, chief financial officers earned close to what their company's chief executive earned.

William Magee, chief financial officer of Arco Chemical Co., earned $774,106 while Harold Sorgenti, the chief executive, earned $789,380. V.N. Marafino, CFO of Lockheed Corp., earned $663,348, while chief executive D.M. Teller earned $763,943. General Mills' Mr. Blodgett, with $1,069,402 in compensation, came close to CEO H.B. Atwater's $1,431,382.

In the case of Berkshire Hathaway Inc., chief financial officer J. Verne McKenzie earned $235,000 — double the salary of chief executive Warren Buffett.

In addition to the top breadwinners, other highly paid financial executives include Robert Pope of Southwestern Bell Corp. with $881,100; D.L. Burnham of Abbott Laboratories, $850,472; Ronald Doerfler of Capital Cities/ABC Inc., $848,032; F.N. Newman of BankAmerica Corp., $845,833; Dennis Little of Textron Inc., $818,740; C.H. Folley of Ingersoll-Rand Co., $818,350; and Alan Krowe of Texaco Inc. with $810,360.

In certain industries, some chief financial officers earned much more than their counterparts at competitor firms surveyed by *P&I*. In the banking industry, BankAmerica's Mr. Newman, with $845,833, earned more than any of his counterparts. Coming in No. 2 was Deno Papageorge of Bank of New York, with $530,704. Arco Chemical's Mr. Magee, at $774,106, earned the most of his chemicals industry competitors; R. Keith Elliott of Englehard Corp. was second with $565,578. In the defense industry, Textron Inc.'s Mr. Little earned $818,740 while Litton Industries Inc.'s Joseph Casey earned $713,156.

Bonuses represented the lion's share of the earnings of many chief executive officers. The highest paid top executive among the group was Michael Eisner of Disney with $16.3 million. Mr. Eisner's salary was $750,000. His $8,839,360 cash bonus was more than 10 times his salary. Herbert Siegel of Chris-Craft Industries Inc. followed with $13.7 million, of which only $700,000 was salary. Paul Fireman of Reebok International Ltd.'s $14.2 million bonus eclipsed his $357,200 base salary. Mr. Fireman's bonus no doubt was pumped up by profits on Reebok's button-operated "pump" basketball shoes, which were paid tribute on the cover of the company's annual report.

Other highly paid chief executives include Thomas Theobold of Continental Bank who earned $5.1 million. Two other CEOs logged salaries of more than $2 million: B.F. Dolan of Textron and Ralph Ablon of Ogden Corp., each with $2.3 million. ■

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PBGC data causing sparks

List of unfunded liabilities not accurate, experts argue

By Hillary Durgin

WASHINGTON — The PBGC's list of companies with the 50 largest unfunded pension liabilities has unleashed a publicity storm over when and how companies will fund the benefit obligations, totaling $13.5 billion.

The data — dominated by old-line industrial companies, particularly automotive, airline, steel and rubber - provide a measure of the potential exposure of the Pension Benefit Guaranty Corp.

Pension experts argued, however, the list contains outdated and incomplete information that must be interpreted with such a labyrinthine list of caveats its usefulness is questionable. In fact, because some of the media have focused on the size of the liabilities or funded ratios, and have overlooked the companies' financial strength and other factors, the list actually might do more harm than good, some experts said.

For example, General Motors Corp.'s unfunded liability is second on the list, at $1.9 billion at the end of 1988. But the company's underfunded plans, the only ones listed, had assets of $17.5 billion, making these plans less than 10% shy of being fully funded. Plus, the PBGC list didn't note that GM has other pension plans that were overfunded by $3.8 billion in 1988.

Some media have misrepresented GM's funded position as being negligent, said Terrence Sullivan, manager for sales and financial reporting at GM.

"I've read some wire services which were terribly misleading and which were, in fact, irresponsible," he said. "Being less than 10% underfunded is a very good position to be in."

In addition to taking into account a company's asset base and financial strength, there are a host of other factors that should be considered when assessing the PBGC's list, company spokesmen and actuaries said. In the case of companies with collective bargaining plans, for example, the liabilities might be a reflection of the way benefit plans are negotiated and have no bearing on a corporation's financial health.

Other factors that should be taken into account are the adjustments the PBGC has made to the liabilities based on its specific interest rate assumptions and how it defines guaranteed benefits.

In the case of the automotive companies, many of the pension plans are "flat-dollar" plans that base benefits on an employee's length of service rather than on a percentage of salary. Because companies like GM and Chrysler Corp. have a large number of retirees relative to active workers, improving benefits means a hike in liabilities stemming from past service obligations.

The PBGC listed Chrysler's unfunded liability at $2.6 billion, based on plan assets of $4.4 billion and guaranteed benefit obligations of $7 billion at the end of 1988.

"Most of the unfunded liabilities have to do with past service liability," Alan Reuther, associate general counsel to the United Auto Workers, Washington, said of the auto plans.

The liabilities are inherent in the nature of the benefit plans, Mr. Reuther said, and while 100% funding would be better, it's not necessarily important as long as the a company meets its current funding obligations.

The PBGC's list was compiled by Compustat Services Inc. from annual report data for fiscal years ended June 1988 through May 1989. Since then, however, some companies have reduced their liabilities.

Bethlehem Steel Corp. has reduced its unfunded liability by $721 million in the past two years, to $879 million at the end of 1989 from $1.6 billion at the end of 1987, said Henry Von Spreckelsen, a Bethlehem spokesmen. The liability was reduced by making contributions in excess of what's required, he said, adding Bethlehem has contributed more than $1 billion during the past two years.

"We plan to continue to reduce our unfunded pension liability, and are hoping to have the plan fully funded in the next couple of years," Mr. Von Spreckelsen said.

The PBGC, in general, used a 7.75% interest rate to value annuities for terminating single employer plans; the actual rates used by companies varied from 8% to 10.5%, according to the PBGC. In addition, the PBGC reduced vested benefits reported by companies by 5% to reflect the fact that all vested benefits are not guaranteed by the PBGC.

As a result of the conservative interest rate assumption, liabilities were increased, in aggregate, by 13%, the PBGC said.

Lowering the interest rate assumption can have a dramatic impact on a company's liabilities.

With Bethlehem Steel, for example, the PBGC calculated the company's unfunded liability to be $1.4 billion in 1988, based on guaranteed benefit obligations of $4.2 billion and assets of $2.8 billion.

Bethlehem Steel, however, used an interest rate assumption of 9.5% — not the PBGC's 7.75% — and reported a $1.02 billion liability — nearly $400 million less than the PBGC figure. The company said it had obligations of $3.8 billion and assets of $2.8 billion.

The confusion the PBGC list has created over how to interpret the data has raised questions among as to why the PBGC released the list.

James B. Lockhart, executive director of the PBGC, said the list was released first to Consumers Digest in response to a request the magazine had filed under the Freedom of Information Act. The agency's primary reason for issuing the list, however, stemmed from its loss prevention strategy to encourage companies to better fund their plans, he said.

"It really is part of our enforcement strategy to encourage plans to better fund themselves and to get the information out there," Mr. Lockhart said.

Funding rules preventing an employer from making tax-deductible contributions once a plan's assets exceed 150% of current liability could, in fact, exacerbate the problem of underfunded pension plans, said Richard S. Raskin, consultant with The Wyatt Co., New York.

"I think the list will be larger five years from now," he said. ■

Companies with the largest underfunded pension liability

...by adjusted unfunded guaranteed liability*

Company	Liability ($ millions)	Funded ratio
Chrysler	2,628	62.4%
GM	1,910	90.1
Bethlehem Steel	1,380	67.1
Pan Am	602	33.0
Texas Air	555	70.4
Navistar	454	79.4
Westinghouse Electric	451	89.3
Uniroyal Goodrich	394	48.4
Trian Holdings	389	49.7
Armco	323	83.1

...by funded status

Company	Funded ratio	Liability ($ millions)
CF&I Steel	28.5%	152
Sharon Steel	31.2	170
Pan Am	33.0	602
LTV**	36.1	244
Loews	41.2	106
ASI Holding	44.3	194
Keystone	45.0	91
Jesup Group	47.1	64
United Brands	48.0	49
Uniroyal Goodrich	48.4	394

*Adjusted to PBGC interest rate at time of valuation
**Does not include three disputed LTV plans
Source: Pension Benefit Guaranty Corp., Washington

Tax-exempt investors targeted

BOSTON - Fidelity Investments has introduced the Fidelity U.S. Bond Portfolio, a mutual fund which tracks the Shearson Lehman Hutton Aggregate Bond Index.

The index is made up of about 6,000 issues, including government bonds, mortgage-backed securities and investment-grade corporate bonds.

The fixed-income fund was created for institutions, including pension funds, foundations, endowments and bank trust departments.

The minimum investment is $100,000. ■

Foreign

Continued from page 3

eschewed Japan — a strategy it has been employing for the past two years — and favored the Continent. For several years prior to 1988, "we had made a lot of money in Japan, then we took our profits and pursued basically a continental Europe strategy," explained Nicholas Carn, investment director of CIGNA International Investment Advisors.

Very recently, CIGNA returned to the Japanese stock market, and now has about 8% invested there. Mr. Carn stressed, however, the firm is "still heavily overweighted in Europe, and we particularly like Italy. We think Europe will continue to produce good investment returns with an exceptionally low level of risk."

Among CIGNA's European strategies has been to invest in "financial restructuring situations. In 1988, we correctly anticipated European mergers and acquisitions and set out to find specific investments where big, undervalued situations existed. We felt conditions were changing in a way that made it highly likely that those asset (values) would be realized for shareholders," Mr. Carn said.

stock picks have been the German companies **Hoesch Group** and **Mannesmann AG**, that gained both from Europe 1992 developments and a "stronger-than-expected West German economy," said Mr. Carn. Two beneficiaries of merger and acquisition-type activity have been the stocks of insurance companies **Colonia** in Germany, and **Groupe Victoire** in France.

For the year ended March 31, the top PIPER fund was CIGNA's international equity fund, up 30.48%. In comparison, the EAFE returned −11.35%, the MSCI World Index, −1.76% and the FT-A World Index, −1.55%.

Among PIPER+ funds, the International Discovery Fund of Rowe Price-Fleming International Inc., Baltimore, was up 34.27% and Scudder's global fund led again with 24.8%. The median PIPER+ international fund returned 11.81% and the global fund, 12.75%.

For longer periods, CIGNA's fund also was a top performer. With a compound annualized 33.08% gain, the fund ranked first among PIPER international funds for the five years ended March 31. For the 10 years, the InterCap Equity fund of American National Bank & Trust Co. of Chicago was up a compound annualized 20.31%, leading the PIPER universe. The EAFE returned an annualized 28.27% and 20.94% and the MSCI World returned 21.87% and 18.71%. The FT-A World Index returned 22.06% for the five years and had no return for the 10-year period.

Among PIPER+ international funds, the Castegren International fund of Marsh & Cunningham-Castegren International, Boston, topped competitors for the 10 years, reporting an annualized 29.54%. The fund came in second for the five years, at 38.5%.

For PIPER+ global funds, WorldInvest Ltd., London, was the winner for the five-year period with an annualized 34.24%.

The PIPER+ international and global median funds for the five years returned a compound annualized 28.3% and 21.78% respectively. For the 10 years, the funds returned an annualized 19.87% and 18.86% respectively.

Hakan Castegren, partner at Marsh & Cunningham-Castegren, cited an overall value orientation and a strategy of selecting stocks in industries he believed would be emerging from a slump as keys to the fund's success.

"A typical example was the shipping industry, which started out of a slump about two years ago," said Mr. Castegren. He bought such stocks as **Keppel Corp.** in Singapore or **Mitsui**

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Liquidation

Continued from page 2

dorsed by outside counsel, are in the best interests of the participants. We have been communicating directly with members of the fund to keep them apprised of our actions, and we will continue to do so," officials said in a statement responding to the charges.

Regarding the change in payout methods and any possible conflict of interests, the Travelers statement said the company "has worked hard to establish its reputation for integrity in this business. Our plan to change to a pro-rata payout method was proposed to ensure that all participants will be treated fairly and equitably when the account assets are distributed."

Mr. Lawson said plan sponsors representing 70% of the fund's assets have requested redemption of their interests in the fund.

"Faced with this torrent of liquidation and redemption requests, the Travelers notified participating retirement funds in January that it could neither manage the fund nor fulfill its fiduciary duties under the existing liquidation and redemption rules, and that it was proceeding with an amendment to the plan of operation which would call for the pro-rata satisfaction of liquidation and redemption requests, effective Feb. 26," he said.

Since the announcement, a number of retirement systems, including the Maine and Dallas funds, lodged complaints with the New York Department of Insurance, Mr. Lawson said. Complaints also have been filed with the Texas attorney general, the Texas Board of Insurance and Connecticut's insurance commissioner.

Separate Account R has been facing a drain on assets since 1986, and efforts to restructure the fund in 1987 apparently have not stemmed the tide of redemption requests.

The equity component of the fund was faced with about $200 million in pending withdrawals as of Dec. 31, 1986, the most recent data available, while the account's gross equity real estate assets were $374 million and a debt, or mortgage, component, had $83.9 million.

Mr. Lawson said there is concern among Separate Account R participants that have been waiting for redemptions over whether sufficient assets would remain in the fund to satisfy their claims under a pro-rata method. Their concern, he said, is based on the fund's history of poor performance and "history of losses which continue to be a problem."

One Travelers executive said it is true some Separate Account R investors have communicated with the company regarding "possible liquidity problems . . . but the conclusions being drawn (by Mr. Lawson) are erroneous."

Mr. Lawson said Travelers officials have refused to identify all the Separate Account R investors and have refused requests to meet with investors in the fund to discuss ways of resolving the dispute.

He said Separate Account R participants have attempted, unsuccessfully, to persuade Travelers to rescind the amendment and have Travelers and participants jointly select an independent fiduciary to liquidate the fund, or to call a meeting of all participating pension funds to work out a plan of resolution. He said participating pension funds also are seeking a rebate — rejected by the company — of Travelers fees for managing and supervising the fund.

Officials at Northeast Utilities and Dallas Police and Fire declined to discuss the matter.

Maine's Mr. Perrier said working with Travelers has been difficult; the fund has been waiting since 1986 to recover its $25 million investment.

"We are still waiting," he said. "It's difficult to get information from them; Travelers won't tell us who the other participants are," he added.

He said the fund did recover $7 million of its investment, representing the debt portion, leaving $18 million in real estate equity to be recovered.

Mr. Perrier said the portfolio has experienced "significant devaluation" over the years. He said he has serious questions about the changes in the payout methodology.

"We strongly objected because they didn't notify us ahead of time about the change," he said. "We had serious questions before the changes were made. We weren't notified; we weren't objecting to the changes themselves, although we haven't seen all the information as yet." ■

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Stock buyback

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hind the doors of its Checkerboard Square headquarters. James R. Elsesser, its chief financial officer, declined to be interviewed for this story. A company spokesman said the buybacks are "a strategy proprietary to us that he doesn't care to go into detailing publicly."

In the 1989 annual report Mr. Stiritz said: "We continue to have a strong dedication to cash flow. The availability of excess cash is a key measure of management's effectiveness, and its deployment is a task which we place at the top of our agenda."

Ralston Purina started its buyback program in 1982, when the share price was $9 and the price earnings ratio was 7 to 8. The company has announced or completed 18 buybacks since 1982, and its stock price has increased nearly tenfold.

It has repurchased almost 62 million shares or 52% of the total, for a value of almost $3 billion. That ranks it first among food and beverage companies in its percentage of stock repurchased and second only to Coca-Cola Co. in dollar value of buybacks, according to the DLJ report.

Buybacks "definitely did create shareholder value and were additive to earnings without exception. For a big cash flow generator, buybacks are a very palatable use of corporate cash vs. risky acquisitions. The market has always felt comfortable with them," said Mr. Ramey of County NatWest.

The more the stock price rises (causing the company's price-earnings ratio to rise), the more expensive buybacks become. But assuming a 10.5% cost of capital, Ralston Purina can pay up to 15.8 times earnings before buybacks begin to have a dilutive effect on earnings, Mr. Ramey said. He gives Ralston Purina a neutral rating partly because "the lack of an operating story hurts the company."

The California Public Employees' Retirement System holds 430,000 shares of Ralston Purina, much of it through index funds. "If they buy back shares we'll sell to the extent that it will allow us to maintain a proportional weighting of the shares in the S&P 500," said Carl Wilberg, principal investment officer of the system.

Officials of the Teachers Insurance and Annuity Association — College Retirement Equities Fund, New York, which owns 604,182 shares of the company, declined to comment. In November, Ralston appointed John H. Biggs, president and chief operating officer of TIAA-CREF, a director of the company.

Analysts say Ralston Purina's three businesses are not particularly attractive now. Pet food is flat to declining; the company's Energizer and Eveready batteries face stiff competition from Duracell; and its bakery subsidiary has not been a great performer in a business that is growing slowly, Mr. Ramey said.

The company began its buyback programs about the same time Mr. Stiritz became its chairman and chief executive.

Mr. Stiritz "has restructured the company and focused on financial issues at Ralston more than operating issues. He's more of a restructuring-type manager than an operating-type manager," Mr. Ramey said.

The company will continue to generate a significant amount of free cash in the future, about $1.9 billion in excess of dividends and capital expenditures over the next five years, according to Dean Witter's Mr. Adelman.

"I think their strategy is appropriate for their company for the time being. It's better than throwing their money away on acquisitions that don't make sense. They've been rewarding the stockholder with good returns in a different kind of way," he said. He puts a 'hold' rating on the stock.

Mr. Adelman predicts earnings per share on a primary basis of $6.30 per share in September 1990 and $7.05 a year later. DLJ estimates EPS of $6.25 and $7.35 for those periods. ■

NPA

Continued from page 2

anticipated little problem finding work, according to Mr. Merrill.

National Life now will have to hire an outside firm to manage the portfolio, consisting of $140 million worth of real estate in the insurer's general account and $160 million with RCB Trust Co.'s commingled real estate fund. Pension fund clients include Unisys Corp., Eastman Kodak Co. and the Vermont State Retirement System.

Mr. Merrill said hiring whatever firm the NPA employees work for is an option National Life is exploring.

"We were quite satisfied with their management," Mr. Merrill said. "They will be selected if they are the best managers."

David A. White, vice president-capital management for the $5 billion Unisys fund, expressed satisfaction with NPA. He said Unisys, an investor in RCB's $35 million Real Property Trust closed-end fund, will follow the advice of Edgar A. Barksdale, president and chief executive officer of RCB.

Said Mr. Barksdale: "We are evaluating the alternatives. . . . We are sorry to be the victim of the downsizing of National Life."

According to Andrew McGregor, president of NPA and one of the executives who accepted the separation plan, all but two of the employees leaving NPA want to remain together as a unit. Mr. McGregor, naturally, believes the group should be hired to manage the separate account properties, at least.

"Someone has to be selected. We are a team of professionals that worked well together," Mr. McGregor said. ■

Short sellers

Continued from page 3

Frank Lane, chief investment officer. Market capitalizations are $500 million or less.

Mr. Lane said he looks for companies with low debt that have greater than a 15% return on equity and high management ownership.

Winners in the past year, he said, have been **Fastenal Co.** and restaurant stocks, including **Sizzler Restaurants International Inc., Cracker Barrel Old Country Store Inc. and Chili's Inc.**

SLH Trust Co. in Wilmington, Del., had the best performance for the five-year period ended March 31. Its Growth Fund 2 returned an annualized 28.88%. In comparison, the median return was 13.25%; the S&P, 17.53%; and the Russell 2000, 9.51%.

The fund is extremely volatile, with a turnover of 600% not unusual, according to Steven Kroll, president of SLH Asset Management Group, New York, which manages the $30 million fund for SLH Trust.

"Everything is earnings momentum," Mr. Kroll said. The firm holds about 60% of the portfolio in name stocks, such as **Bristol-Myers Co., Motorola Inc.** and **Boeing Co.** that it will hold and occasionally increase as earnings reports come in. The other 40% is traded aggressively.

For the long term, Provident Capital, Philadelphia, had the best performing commingled fund for the 10-year period with a 21.86% annualized return, while Cramer Rosenthal McGlynn, Inc., New York, was the best performing investment management firm in PIPER+, with a 23.56% annualized return.

For the 10 years, the median PIPER return was 16.27%; the median PIPER+, 14.27%; the S&P 500, 17.7%; and the Russell 2000, 15.83%.

Edwin Powell, vice president and senior portfolio manager for Provident Capital, said the $50 million account is a small-cap, value-oriented, low-risk fund. The average market capitalization is about $210 million, and the fund typically has 65 to 70 issues. The fund uses several value screens.

"Even in a major correction, small-cap stocks will be in line with the market at worse," Mr. Powell said. Of the six major recessions since 1957, in only one — 1969-1970, did small caps markedly underperform the market, he said.

Cramer Rosentahl McGlynn topped the PIPER+ list with a composite performance of 23.56% for nine special accounts totaling $65 million.

Four of the accounts were begun with the firm's inception in 1973; the other five were started in 1985 and 1986.

According to Jay Abramson, the firm's vice president and general counsel, all of the accounts tend to be aggressive in stock selection, looking for small- to medium-capitalization opportunities or private companies. They also invest in an in-house fallen angel fund.

The accounts have benefited from a history of investments in supermarket stocks, such as **Vons Co. and Penn Traffic Co.** ■